

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JANUARY 27, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Lebanon HMA, LLC d/b/a University Medical Center

PROJECT NUMBER: CN1510-042

ADDRESS: 1411 Baddour Parkway
Lebanon (Wilson County), TN 37087

LEGAL OWNER: Lebanon HMA, LLC
1411 Baddour Parkway,
Lebanon, TN (Wilson County), TN 37087

OPERATING ENTITY: N/A

CONTACT PERSON: Michael D. Brent
(615) 252-2361

DATE FILED: October 9, 2015

PROJECT COST: \$22,500,000.00

FINANCING: Cash Reserves of the applicant's parent company,
CHS/Community Health Systems, Inc.

PURPOSE OF REVIEW: Hospital construction and renovation in excess of \$5.0 million and relocation of 75 hospital beds from the medical center's satellite campus to its main campus

Lebanon HMA, LLC d/b/a University Medical Center (UMC) is seeking approval for the relocation of two adult psychiatric units representing a total of 49 licensed beds (both staffed at 16 beds each), and one rehabilitation unit representing 26 licensed beds (staffed at 10 beds) from the current satellite location located 3 miles away at McFarland Specialty Hospital 500 Park Avenue, Lebanon (Wilson County), TN to its main campus located at 1411 Baddour Parkway, Lebanon (Wilson County), Tennessee 37087. Renovations of the surgery and endoscopy areas located at the main UMC campus are also included in this proposed project.

The project does not involve the addition of new beds, the initiation of new health care services, or acquisition of major medical equipment. At completion, the UMC Medical Center will remain licensed for 245 beds.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW
CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF
HEALTH CARE INSTITUTIONS

The following apply:

1. **For renovation or expansions of an existing licensed health care institution:**
 - a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project**

The proposed project involves the relocation 49 licensed beds representing 2 inpatient bed psychiatric units and one 26 bed inpatient rehabilitation unit. The 49 bed psychiatric licensed occupancy is projected to increase from 53.5% in 2011 on 1,113 admissions, to 54.7% in Year 2018 on 1,141 admissions. Rehabilitation 26 bed licensed occupancy is projected to decrease from 29.2% in 2011 on 206 admissions, to 26.2% in Year 2018 on 197 admissions.

It appears that this criterion has been met.

- b. **The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion**

The applicant provided detailed responses for the above criteria on pages 26-27 of the application. Key highlights are provided below.

McFarland Specialty Hospital Satellite Campus

- *The UMC McFarland Specialty Hospital Satellite hospital campus is in need of extensive repairs and/or renovations which are not financially feasible.*

UMC Main Campus

- *The 3rd floor of the Main Campus' North Patient Tower requires renovation because it is currently empty shell space and would not be able to house patients otherwise.*

- *The Progressive Care Unit (PCU) will be moved to the renovated 3rd floor of the North Patient Tower.*
- *The 3 satellite campus units will be relocated to space that currently holds the PCU.*
- *The surgery department will be renovated to better accommodate overflow cases.*
- *The endoscopy renovation will expand existing space for an office, lounge, locker room with shower, equipment storage area, and enlarged patient space. The renovation will also reduce the travel to various parts of the campus by staff and physicians by having the endoscopy service in one centralized location.*

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

University Medical Center (UMC) is currently licensed for 245 beds which consist of 170 beds located at University Medical Center's main campus, and 75 licensed beds (49 psychiatric beds and 26 rehabilitation beds) located at its satellite campus of McFarland Specialty Hospital.

The proposed project will consist of the renovation of surgery, endoscopy, and progressive care units as well as those units (3) transferred from the McFarland Specialty Hospital satellite campus. The proposed project involves the following areas:

Rehabilitation and Psychiatric Units

- The applicant plans to renovate the first floor of the outpatient center (formerly PCU) in the main campus to house McFarland's rehabilitation and psychiatric beds.
- A new 2 story elevator tower will be constructed to service the top floor of the outpatient tower.
- The 2 psychiatric units licensed for 49 beds will initially be staffed at 32 beds, and the rehabilitation 26 licensed beds at 10 staffed beds, but will be staffed with additional beds as demand increases.

Progressive Care Unit

- The first floor of the Outpatient Surgery Center houses a Progressive Care Unit (PCU) licensed for 58 beds that will be relocated to shelled space on the third floor of the North patient tower on the Main Campus.

Surgical Unit

- The endoscopy department will remain in the outpatient center, but will be relocated to a larger space.
- The surgery department will be renovated and modernized. At completion, the surgical department will have 5 operating rooms, 4 patient recovery bays, and 2 endoscopy rooms with fluoroscopy and bronchoscopy capabilities.

An overview of the project is provided on pages R-14 and 15 of the original application.

Need

- To best serve patients, the applicant would like to consolidate the satellite campus to the main campus to solve logistical and staffing issues caused by distance between the two campuses.
- The UMC McFarland Specialty Hospital Satellite hospital campus is in need of extensive repairs and/or renovations which are not financially feasible.
- The surgery and endoscopy renovations will utilize currently vacant or inefficiently used space at the main UMC campus.
- Economies of scale will be achieved by doing several modifications at once at the main UMC campus.

Ownership

- Lebanon HMA, LLC d/b/a University Medical Center and d/b/a McFarland Specialty Hospital is 98.3% owned by Knoxville HMA Holdings, LLC and 1.69% owned by CHS Tennessee Holdings, Inc.
- A copy of the ownership structure is provided on page R-12 in the application.

Facility Information

- The behavioral health and rehabilitation units will be relocated from the UMC satellite campus to renovated areas in the UMC main campus.
- Each unit will have 1 nursing station, and the behavioral health units will also have activity and group therapy areas.
- An elevator will be installed from the ground floor to the first floor for rehabilitation patients with mobility restrictions.
- The inpatient psychiatric beds will be divided initially into two 16-bed units: behavioral health and mood disorder. The inpatient rehabilitation unit will be initially staffed as a 10-bed unit. UMC is certified for 49 psychiatric beds and 26 rehabilitation beds.
- The 3 units will share a number of common amenities such as plant operations (supply department), business, and administrative offices.
- The project involves the renovation of 53,006 square feet and the construction of 700 new square feet.
- Please refer to the Square Footage and Cost per Square Footage Chart on page 18 of the original application for additional information.
- Floor plan drawings are included in Attachment B.IV. – Floor Plans.
- According to the CY2013 Joint Annual Report, University Medical Center was licensed and staffed for 245 beds during the reporting period. The licensed and staffed hospital bed occupancy at University Medical Center was 35.9% and 55.7% in CY2013.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).

Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.

Service Area Demographics

PRMC's declared primary service area includes the following 7 counties: Davidson, Macon, Rutherford, Smith, Sumner, Warren, and Wilson Counties.

- The total population of the 7 County Tennessee service area is estimated at 1,364,975 residents in calendar year (CY) 2015 increasing by approximately 7.3% to 1,463,943 residents in CY 2019.
- The overall Tennessee statewide population is projected to grow by 4.5% from 2015 to 2019.
- The latest 2015 percentage of the proposed primary service area population enrolled in the TennCare program is approximately 19.2% in the service area as compared to the statewide enrollment proportion of 21.5%.

Service Area Historical Utilization

	2013 Certified Beds	2011 Licensed % Occupancy	2012 Licensed % Occupancy	2013 Licensed % Occupancy
Psychiatric	460	77.4%	64.3%	69%
Rehabilitation	256	53.3%	57.8%	48.9%

Source: CN1510-042, JARs 2011-2013

The chart above reflects the following:

- The occupancy of the licensed psychiatric beds in the 7 county service area was 77.4% in 2011, 64.3% in 2012, and 69% in 2013.
- The occupancy of the licensed rehabilitation beds in the 7 county service area was 53.3% in 2011, 57.8% in 2012, and 48.9% in 2013.

Applicant's Historical and Projected Utilization

Historical and projected trends for University Medical Center/McFarland are displayed in the table below:

Bed Type	Year 2011	Year 2012	Year 2013	Year 2017	Year 2018
University Medical Center/McFarland					
Adult Psychiatric					
Licensed Beds	49	49	49	49	49
Staffed Beds	32	32	32	32	32
Admissions	1,113	979	865	1,108	1,141
ADC	26.2	22.4	19.8	26	26.8
ALOS	8.6	8.4	8.4	8.6	8.6
% Licensed Occupancy	53.5%	45.7%	40.4%	53.1%	54.7%
% Staffed Occupancy	81.9%	70.0%	61.9%	81.3%	83.8%

- Psychiatric licensed occupancy is projected to increase from 53.5% in 2011 on 1,113 admissions, to 54.7% in Year 2018 on 1,141 admissions.
- The average daily census (ADC) ranges from 19.8 in 2013 to 26.8 projected in 2018.

Bed Type	Year 2011	Year 2012	Year 2013	Year 2017	Year 2018
University Medical Center/McFarland					
Rehabilitation					
Licensed Beds	26	26	26	26	26
Staffed Beds	10	10	10	10	10
Admissions	206	195	199	191	197
ADC	7.6	6.8	7.1	6.8	6.8
ALOS	13.5	12.8	13.0	13.0	13.0
% Licensed Occupancy	29.2%	23.4%	27.3%	26.2%	26.2%
% Staffed Occupancy	76%	38%	71%	68%	68%

- Rehabilitation licensed occupancy is projected to decrease from 29.2% in 2011 on 206 admissions, to 26.2% in Year 2018 on 197 admissions.
- Staffed bed occupancy of 10 beds is projected to decrease from 76% in 2011 to 68% in 2018.

Bed Type	Year 2011	Year 2012	Year 2013	Year 2017	Year 2018
University Medical Center/McFarland					
Total Hospital					
Licensed Beds	245	245	245	245	245
Staffed Beds	158	158	158	158	158
Admissions	6,938	6,542	6,032	7,039	7,398
ADC	103.8	94.9	88	104.2	105.4
ALOS	5.4	5.2	5.3	5.4	5.2
% Licensed Occupancy	42.4%	38.7%	35.9%	42.5%	43.0%
% Staffed Occupancy	65.7%	60.0%	55.7%	65.9%	66.7%

Source: CN1510-042

- Total hospital licensed occupancy is projected to increase from 42.4% in 2011 on 6,938 admissions, to 43.0% in Year 2018 on 7,398 admissions.
- Staffed bed occupancy of 158 beds is projected to increase from 65.7% in 2011 to 66.7% in 2018.

Project Cost

Major costs are:

- Construction Costs plus contingencies- \$14,857,056 or 66% of total cost.
- Fixed Equipment- \$4,019,277, or 17.9% of the total cost.
- Average total construction cost is expected to be \$247.33 per square foot, which is between the median cost of \$227.88/SF and 3rd quartile cost of \$298.66/SF of previously approved hospital projects from 2012-2014.
- For other details on Project Cost, see the Project Cost Chart on page R-39 of the original application.

Historical Data Chart

- According to the Historical Data Chart, UMC reported net operating income less capital expenditures of \$10,659,612 for 2012, \$9,322,449 in 2013, and \$4,457,119 for 2014.
- Deductions from gross operating revenue increased from \$538,935,719 in 2012 to \$599,662,409 in 2014.

Projected Data Chart

The applicant projects \$776,560,294.00 in total gross revenue (inpatient, outpatient, emergency services, rent) during the first year of operation and \$784,953,673 in Year Two. The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$13,849,254 in Year One increasing to \$14,343,344 in Year Two.
- Net operating revenue after contractual adjustments is expected to reach \$104,855,959 or approximately 13.3% of total gross revenue in Year Two.
- Charity care is not designated in the Projected Data Chart.

Charges

In Year One of the proposed project, the average overall hospital inpatient charges are as follows:

Average Gross Charge

- \$8,261

Average Deduction from Operating Revenue

- \$7,157

Average Net Charge

- \$1,104

Payor Mix

- TennCare/Medicaid-Overall hospital charges, including inpatient, outpatient, emergency, and other, will equal \$147,444,398 in Year One representing 19% of total gross revenue.
- Medicare-Charges will equal \$201,766,019 representing 26% of total gross revenue.
- The applicant contracts with all TennCare Managed Care Organizations that serve the region.
- The projected gross operating revenue by payor mix is shown in the table below.

Applicant's Payor Mix, Year 1

Payor Source	Gross Operating Revenue	As a % of Total
Medicare	\$201,766,019	26%
Managed Medicare	\$131,923,935	17%
TennCare	\$147,444,398	19%
Commercial	\$232,806,945	30%
Self-Pay	\$46,561,389	6%
Other	\$15,520,463	2%
Total Gross Revenue	\$776,023,149	100%

Source: CN1510-042

Financing

- The source of funding for the project is identified as a cash transfer from the applicant's parent (CHS/Community Health Systems Incorporated) to Lebanon HMA, LLC d/b/a University Medical Center.

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- An October 8, 2015 letter signed by the CHS's Senior Vice President Finance and Treasurer attests to CHS/Community Health Systems, Inc.'s ability to finance the project.
- Review of the Community Health Systems Consolidated Balance Sheet ending of 12/31/14 revealed cash and cash equivalents of \$509,000,000, total current assets of \$5,566,000,000 and current liabilities of \$3,589,000,000 for a current ratio of 1.55 to 1.0.

Note to Agency members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

The applicant's proposed direct patient care staffing in Year One for rehabilitation, psychiatric, PCU, surgery, and endoscopy includes the following:

Position Type	Current FTEs	Year One FTEs
Patient Care Tech	4.66	4.66
Licensed Practical Nurse	7.66	7.66
Patient Care Tech CAN/PRN	1.1	1.5
LPN IV	.58	.58
Clinical Assess Coordinator	.95	.95
Staff RN-PRN	4.15	4.15
RN Med/Surg	26.84	28.84
Social Worker MSW	3.8	3.8
Total	49.77	52.14

Source: CN1510-042

Licensure/Accreditation

University Medical Center is licensed by the Tennessee Department of Health, Division of Health Care Facilities, and is accredited by the Joint Commission.

The latest Joint Commission unannounced full resurvey was conducted on March 24-28, 2014. A letter from the Joint Commission dated June 4, 2014 recommending full accreditation is located in the Attachment C, Orderly Development—7 (C).

The applicant has submitted the required corporate documentation and real estate title. Staff will have a copy of these documents available for member reference at the meeting.

Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied applications, or outstanding certificates of Need for this applicant.

Note: Community Health Systems, Inc. has a financial interest in this project and the following:

Outstanding Certificates of Need

Tennova LaFollette Medical Center, CN1508-032A, has an outstanding Certificate of Need that will expire January 1, 2018. The project was approved during the November 18, 2015 Agency meeting for the initiation of mobile Extra-Corporeal Shockwave Lithotripsy up to 3 days per week. **The estimated project cost is \$440,203.00.** *Project Status: The project was recently approved.*

Gateway Medical Center Satellite Emergency Department at Sango, CN1507-027A, has an outstanding Certificate of Need that will expire December 1, 2018. The project was reviewed simultaneously with NorthCrest Medical Center, CN1507-028, and was approved at the October 28, 2015 Agency meeting for the construction and establishment of a satellite emergency department at an unaddressed site on the north side of Highway 76, approximately 1,400 feet east of I-24 at Exit 11 in Montgomery County, Tennessee, 37040. The proposed facility will be operated under the license of Gateway Medical Center and will have 8 treatment rooms providing Levels I through V emergency treatment services. The facility will also provide ancillary services, including, medical lab, CT, X-Ray and Ultra-Sound, at a minimum. The project involves no new licensed inpatient hospital beds, no new healthcare services being initiated and no major medical equipment. **The estimated project cost is \$11,000,000.00.** *Project Status: The project was recently approved.*

Tennova LaFollette Health and Rehab Center, CN1505-021A, has an outstanding Certificate of Need that will expire on October 1, 2017. The project was approved at the August 26, 2015 Agency meeting to renovate approximately 26,350 of the existing 35,317 square foot facility at a construction cost in excess of \$2 million. The project focuses on cosmetic finishes, changes in nurse's stations,

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patient day rooms and patient dining areas of the building and does not involve changes to any existing services or the licensed bed complement. **The estimated project cost is \$3,202,189.** *Project Status: The project was recently approved.*

Metro Knoxville HMA, LLC d/b/a Tennova Healthcare, CN1408-033A, has an outstanding Certificate of Need that will expire on January 1, 2019. The project was approved at the November 19, 2014 Agency meeting for the partial replacement and relocation of 272 of 401 beds from Physicians Regional Medical Center from 900 E. Oak Hill Avenue, Knoxville (Knox County) to a site at the intersection of Middlebrook Pike and Old Weisgarber Road across from Dowell Springs Boulevard, Knoxville (Knox County), a distance of approximately nine (9) miles from the current facility. The estimated project cost is **\$303,545,204.00**. *Project Status: Per a progress report provided on 07/31/2015 by a representative for Tennova Healthcare, preliminary due diligence was completed in March of 2015. Since that time, more in depth site evaluation has been initiated, including site utility and wetlands assessment. In June 2015, the land purchase option for the campus was extended for an additional 6 months to allow for completion of the due diligence. It is anticipated that the option will be exercised and the land purchased in early 2016. Site construction is projected to start in May 2016 with a project completion date of July 2018.*

Metro Knoxville HMA, LLC d/b/a Tennova Healthcare, CN1406-034A, has an outstanding Certificate of Need that will expire on January 1, 2019. The project was approved at the November 19, 2014 Agency meeting for the replacement and relocation of the 25 bed nursing home which is located in Physicians Regional Medical Center. The nursing home proposed to relocate from the hospital from 900 E. Oak Hill Avenue, Knoxville (Knox County) to a site at the intersection of Middlebrook Pike and Old Weisgarber Road across from Dowell Springs Boulevard, Knoxville (Knox County), a distance of approximately nine (9) miles from the current facility. The estimated project cost is **\$6,454,796.00**. *Project Status: Per a progress report provided on 07/31/2015 by a representative for Tennova Healthcare, preliminary due diligence was completed in March of 2015. Since that time, more in depth site evaluation has been initiated, including site utility and wetlands assessment. In June 2015, the land purchase option for the campus was extended for an additional 6 months to allow for completion of the due diligence. It is anticipated that the option will be exercised and the land purchased in early 2016. Site construction is projected to start in May 2016 with a project completion date of July 2018.*

Dyersburg Regional Medical Center, CN1403-007A, has an outstanding Certificate of Need that will expire on September 1, 2017. The project was approved at the July 23, 2014 Agency meeting for the expansion of Diagnostic Cardiac Catheterization Services, currently limited to diagnostic procedures, to

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include interventional (therapeutic) cardiac catheterization procedures at Dyersburg Regional Medical Center, Dyersburg (Dyer County), Tennessee. The estimated project cost is **\$367,763**. *Project Status: Per a status update provided on July 20, 2015, some equipment has been purchased and is on-site, while other equipment has been ordered and will arrive soon. An off-site training schedule has been developed with Methodist Health Care in Memphis.*

HMA Fentress County Hospital, LLC d/b/a Jamestown Regional Medical Center, CN1211-055A, has an outstanding Certificate of Need that will expire on April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the conversion of 6 existing acute care hospital beds to swing beds located at 436 Central Avenue West, Jamestown (Fentress County). The estimated project cost is **\$30,677.00**. *Project Status: Per an annual progress report dated April 7, 2015 from a representative for CHS, swing beds have not been initiated due to difficulties in recruiting and retaining qualified therapy support for these patients. It was projected the service will be initiated by October 1, 2015. 10/7/2015-An update from a representative of CHS indicates CHS is in the process of evaluating the financial feasibility of the project. A decision will be made by CHS by January 31, 2016.*

North Knoxville Medical Center f/k/a Mercy Medical Center-North, CN1106-019A, has an outstanding Certificate of Need that will expire on 12/1/2016. The CON was approved at the October 26, 2011 Agency meeting for acquisition of a second linear accelerator for its radiation therapy department located on Mercy Medical Center-North campus located at 7551 Dannaher Way, Powell (Knox County), Tennessee 37849. The estimated project cost is **\$4,694,671**. *Project Status Update: At the October 28, 2015 Agency meeting, the applicant was granted a one year extension until December 1, 2016 for the completion of this project.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent or pending applications for other health care organizations in the service area proposing this type of service.

Denied Applications

Summit Medical Center, CN1206-029D, was denied at the September 26, 2012 Agency meeting. The application was for the establishment of a 20 bed acute inpatient rehab unit and service in its hospital facility by converting 20 adult psychiatric beds and reclassifying the adult psychiatric unit to an inpatient rehabilitation unit. The estimated project cost is **\$2,500,000.00** *Reason for Denial: The need and orderly development aspects of the application failed to meet the statutory criteria.*

**Lebanon HMA, LLC d/b/a University Medical Center
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Outstanding Certificates of Need

TrustPoint Hospital, CN1505-006A, has an outstanding Certificate of Need that will expire on July 1, 2018. The CON was approved at the May 27, 2015 Agency meeting for the addition of 36 adult psychiatric hospital beds. The increase in inpatient psychiatric beds were approved as follows: Adult Psychiatric Beds for ages 18-64 will increase from 31 to 59 beds; and Geriatric Psychiatric Beds will increase from 28 to 36. The estimated project cost is **\$935,000**. *Project Status Update: Phase I of the CON implementation has been completed. Phase I consists of the addition of 13 adult psychiatry beds and the reduction of physical medicine/rehabilitation beds from 27 to 19. Phase II, which encompasses the remaining work, is planned to begin over the next several months.*

Summit Medical Center, CN1505-020A, has an outstanding Certificate of Need that will expire on October 1, 2018. The project was approved at the August 26, 2015 Agency meeting for the addition of 8 inpatient rehabilitation beds and 2 medical/surgical beds. It will delicense 6 obstetric beds by converting 6 Labor/Delivery/Recovery/Postpartum (LDRP) beds to LDR so the net increase will result in only four additional licensed beds, resulting in an increase in bed capacity from 196 to 200. The project involves renovations of existing patient floors to include the addition of the beds. The estimated project cost is **\$4,892,904**. *Project Status Update: The project was recently approved.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
(1/12/2016)

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
 502 Deaderick Street
 Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364


Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Lebanon Democrat, which is a newspaper of general circulation in Wilson County, Tennessee, on or before September 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Lebanon HMA, LLC, a Tennessee limited liability company (d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital and d/b/a University Medical Center), intends to file an application for a Certificate of Need for the consolidation of all beds operated pursuant to its 245-bed hospital license to the main campus at 1411 Baddour Parkway, Lebanon, TN 37087, including the relocation of three units, a sixteen (16) bed behavioral health unit, a sixteen (16) bed mood disorder unit, and a ten (10) bed inpatient rehabilitation unit, to the main campus from their current satellite location at 500 Park Avenue, Lebanon, TN 37087 (both locations being in Wilson County, TN), and the renovation of other areas of the main campus buildings (including surgery and endoscopy). The estimated project cost is \$22,500,000.

The anticipated filing date of the application is on or before October 15, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


 (Signature)

Oct. 8, 2015
 (Date)

mbrent@babbc.com
 (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
 Andrew Jackson Building, 9th Floor
 502 Deaderick Street
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

**McFarland
Hospital/University
Medical Center**

CN1510-042

McFarland Specialty Hospital/University Medical Center

Certificate of Need Application

**Consolidation and Renovations on Two Hundred-Forty-Five
(245) Bed Campus**

October 2015

October 23, 2015**3:44 pm**

1.	<u>Name of Facility, Agency, or Institution</u>													
<u>University Medical Center</u> Name														
<u>1411 Baddour Parkway</u> Street or Route														
<u>Wilson</u> County														
<u>Lebanon</u> City														
<u>TN</u> State														
<u>37087</u> Zip Code														
2.	<u>Contact Person Available for Responses to Questions</u>													
<u>Michael D. Brent</u> Name														
<u>Attorney</u> Title														
<u>Bradley Arant Boult Cummings LLP</u> Company Name														
<u>mbrent@babbc.com</u> Email Address														
<u>1600 Division Street, Suite 700</u> Street or Route														
<u>Nashville</u> City														
<u>TN</u> State														
<u>37203</u> Zip Code														
<u>Attorney</u> Association with Owner														
<u>615-252-2361</u> Phone Number														
<u>615-252-6361</u> Fax Number														
3.	<u>Owner of the Facility, Agency or Institution</u>													
<u>Lebanon HMA, LLC</u> Name														
<u>615-443-2500</u> Phone Number														
<u>1411 Baddour Parkway</u> Street or Route														
<u>Wilson</u> County														
<u>Lebanon</u> City														
<u>TN</u> State														
<u>37087</u> Zip Code														
4.	<u>Type of Ownership of Control (Check One)</u>													
<table border="0"> <tr> <td>A. Sole Proprietorship _____</td> <td>F. Government (State of TN or Political Subdivision) _____</td> </tr> <tr> <td>B. Partnership _____</td> <td>G. Joint Venture _____</td> </tr> <tr> <td>C. Limited Partnership _____</td> <td>H. Limited Liability Company <input checked="" type="checkbox"/> _____</td> </tr> <tr> <td>D. Corporate (For Profit) _____</td> <td>I. (Other) (Specify) _____</td> </tr> <tr> <td>E. Corporation (Not-for-Profit) _____</td> <td></td> </tr> </table>					A. Sole Proprietorship _____	F. Government (State of TN or Political Subdivision) _____	B. Partnership _____	G. Joint Venture _____	C. Limited Partnership _____	H. Limited Liability Company <input checked="" type="checkbox"/> _____	D. Corporate (For Profit) _____	I. (Other) (Specify) _____	E. Corporation (Not-for-Profit) _____	
A. Sole Proprietorship _____	F. Government (State of TN or Political Subdivision) _____													
B. Partnership _____	G. Joint Venture _____													
C. Limited Partnership _____	H. Limited Liability Company <input checked="" type="checkbox"/> _____													
D. Corporate (For Profit) _____	I. (Other) (Specify) _____													
E. Corporation (Not-for-Profit) _____														

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER OF ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

N/A

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

6. Legal Interest in the Site of the Institution (Check One)A. Ownership ☒ _____

D. Option to Lease _____

B. Option to Purchase _____

E. Other (Specify) _____

C. Lease of _____ Years _____

**PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

7. Type of Institution (Check as appropriate—more than one response may apply)A. Hospital ☒ _____

I. Nursing Home _____

B. Ambulatory Surgical Treatment _____

J. Outpatient Diagnostic Center _____

Center (ASTC), Multi-Specialty _____

K. Recuperation Center _____

C. ASTC, Single Specialty _____

L. Rehabilitation Facility _____

D. Home Health Agency _____

M. Residential Hospice _____

E. Hospice _____

N. Non-Residential Methadone _____

F. Mental Health Hospital _____

Facility _____

G. Mental Health Residential _____

O. Birthing Center _____

Treatment Facility _____

P. Other Outpatient Facility _____

H. Mental Retardation Institutional _____

(Specify) _____

Habilitation Facility (ICF/MR) _____

Q. Other (Specify) _____

8. Purpose of Review (Check as appropriate—more than one response may apply)

A. New Institution _____

G. Change in Bed Complement _____

B. Replacement/Existing Facility _____

[Please note the type of change _____

C. Modification/Existing Facility ☒ _____

by underlining the appropriate _____

D. Initiation of Health Care _____

response: Increase, Decrease, _____

Service as defined in TCA § _____

Designation, Distribution, _____

68-11-1607(4) _____

Conversion, Relocation ☒ _____

(Specify) _____

H. Change of Location _____

E. Discontinue of OB Services _____

I. Other (Specify) _____

F. Acquisition of Equipment _____

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	127	127	0	127**
B. Surgical				
C. Long-Term Care Hospital				
D. Obstetrical	14	14	0	14
E. ICU/CCU	12	12	0	12
F. Neonatal				
G. Pediatric	17	17	0	17
H. Adult Psychiatric	34	34	0	34
I. Geriatric Psychiatric	15	15	0	15
J. Child/Adolescent Psychiatric				
K. Rehabilitation	26	26	0	26
L. Nursing Facility (non-Medicaid Certified)				
M. Nursing Facility Level 1 (Medicaid only)				
N. Nursing Facility Level 2 (Medicare only)				
O. Nursing Facility Level 2				
P. ICF/MR				
Q. Adult Chemical Dependency (Detox)				
R. Child and Adolescent Chemical Dependency				
S. Swing Beds				
T. Mental Health Residential Treatment				
U. Residential Hospice				
TOTAL	245 0	245	0	245

*CON-Beds approved but not yet in service

**Medical/Surgical Beds

10. Medicare Provider Number	44-0193, 44-S193, 44-T193
Certification Type	Hospital
11. Medicaid Provider Number	44-0193
Certification Type	Hospital
12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A	

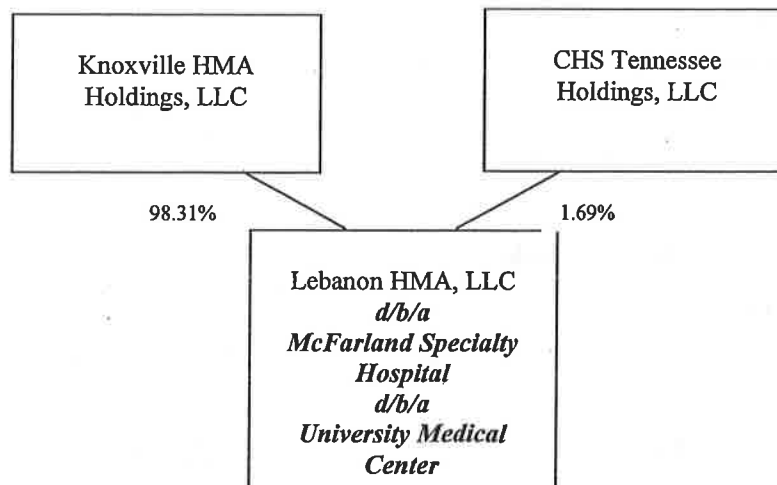
October 23, 2015**3:44 pm**

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Response to Section A, Item 3: Please See Attachment A.3.

Response to Section A, Item 4: McFarland Specialty Hospital is a satellite campus of University Medical Center (the "Applicant"). Both are operated by Lebanon HMA, LLC. The Applicant is a Medicaid and Medicare-certified acute care hospital located at 1411 Baddour Parkway, 3.1 miles from the Applicant's 500 Park Avenue, Lebanon, Tennessee satellite location. The ownership structure of the Applicant is as follows:



Response to Section A, Item 5: N/A

Response to Section A, Item 6: Please see Attachment A.6.

Response to Section A, Item 13: The Applicant currently has contracts with the following Managed Care and Behavioral Health Organizations:

- Aetna
- Amerigroup
- Blue Cross Blue Shield
- Beech Street
- Center Care
- Cigna
- First Health
- Health Smart
- HealthSpring

- GEHA
- Great West
- Humana
- Lifesynch
- Magellan Health Services
- Mental Health Associates
- MultiPlan
- OccuNet Provider Alliance
- Prime Health
- Psych Care
- Private Healthcare Systems
- Signature Health Alliance
- TriWest Healthcare
- United
- USA MCO
- Value Options
- Windsor Behavioral Health

The Applicant is also Medicare and Medicaid certified.

October 23, 2015**3:44 pm**

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE: The Applicant is operated by Lebanon HMA, LLC, a Tennessee limited liability company. This is an application for a Certificate of Need for renovations in the main hospital building's surgical department, renovation of a space formerly used as an outpatient surgery department into an endoscopy department, and the consolidation of the Applicant's campuses, University Medical Center and McFarland Specialty Hospital, by relocating rehabilitation and psychiatric beds currently housed at McFarland Specialty Hospital (the "Satellite Campus") at 500 Park Avenue, Lebanon, Tennessee to University Medical Center (the "Main Campus") at 1411 W. Baddour Parkway, approximately 3 miles away. University Medical Center is a general acute care hospital and is also operated by Lebanon HMA, LLC. Currently, McFarland Specialty Hospital is licensed for seventy-five (75) beds: forty-nine (49) psychiatric beds and twenty-six (26) rehabilitation beds and University Medical Center is licensed for one hundred seventy (170) beds, for a total of two hundred forty-five (245) licensed beds. The Applicant plans to renovate the first floor of the Outpatient Center on the Main Campus, reusing as many existing patient rooms as possible to house McFarland Specialty Hospital's rehabilitation and psychiatric beds. In conjunction with the relocation, two departments will relocate and one department will be renovated on the Main Campus.

Currently, the first floor of the Outpatient Center houses a Progressive Care Unit licensed for 58 beds (PCU), which will be relocated to the third floor of the North Patient Tower on the northern border of the Main Campus. That floor of the North Patient Tower is currently shell space, so it will be built-out to accommodate the PCU. The North

Patient Tower currently houses medical and surgical beds, outpatient physical therapy, and a cardiac rehabilitation and catheterization lab on its other floors.

The PCU's former home in the Outpatient Center would then house the rehabilitation and behavioral health beds. As part of the project, the Applicant will also construct a new 2-story elevator tower to service the top floor of the Outpatient Center. Please note, the PCU, rehabilitation, and psychiatric beds would initially be staffed at 30, 10, and 32 beds respectively, but would set up and staff additional beds in response to patient demand.

The endoscopy department will be relocated to a larger space in the Outpatient Center, where it is currently located, following its renovation pursuant to this application. Finally, in order to improve scheduling flexibility in cases of overflow and to offer the best possible services to patients, the surgery department will be renovated and modernized. Upon completion of all renovations, the facility will have 5 operating rooms in its surgery department, 4 patient recovery bays and 2 endoscopy rooms with Fluoroscopy and Bronchoscopy capabilities in its endoscopy department, 58 (30 staffed) PCU beds, 49 (32 staffed) psychiatric beds, and 26 (10 staffed) rehabilitation beds. The hospital will continue to be licensed for 245 beds.

Service Area

The service area for this project consists of Davidson; Macon, Rutherford, Smith, Sumner, Warren, and Wilson Counties.

Project Cost and Funding

The total estimated project cost is \$22,455,000, exclusive of the \$45,000 filing fee. Of this, approximately \$13.2 million is construction costs. The construction costs are reasonable as verified by the project architect in the letter attached to this application. The project will be funded through cash reserves by an allocation from the parent company.

Financial Feasibility

The project is financially feasible. As reflected in the Projected Data Chart, the project will suffer none or marginal losses in Year 1 and thereafter.

A need for the project exists in the Applicant's service area due to need to align the Applicant's services with demand and to ensure that Tennesseans continue to receive quality, accessible healthcare.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE: The proposed project consists of the renovation of areas to house the Applicant's surgery, endoscopy, progressive care units as well as those units transferred from the Satellite Campus. The units formerly located on the Satellite Campus consist of three units the Applicant proposes to house on the same floor: two initially staffed at 16 beds each and one initially staffed at 10-beds. Each unit will have one nursing station, and the behavioral health units will also have activity and group therapy areas. Installing an elevator from the ground floor to the first floor will enable patients to be more easily transported to the ground floor for imaging services and takes into account potential mobility restrictions of rehabilitation patients.

The units will share a number of common amenities, such as plant operations (i.e., supply department) and business and administrative offices. Mechanical units in the rehabilitation department will be shared by the rehabilitation department and the psychiatric departments. There will also be roof-mounted mechanical units for the departments that do not take up any square footage in the building.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE: With the filing of this application, the Applicant seeks to consolidate its two campuses by moving its 49 psychiatric beds and 26 rehabilitation beds from the Satellite campus to the Main Campus. To accomplish the move and take advantage of economies of scale, the Applicant also seeks to renovate: its surgery department; currently unused space to house its endoscopy unit; and currently shelled space to house its PCU.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
A. Unit / Department	Progressive Care Unit	OC 1st Flr.		NPT 3rd Flr.	9,232		9,232			
	Circulation	OC 1st Flr.		NPT 3rd Flr.	4,249		4,249			
	Mech/Elec/Data	OC 1st Flr.		NPT 3rd Flr.	912		912			
	Administration/Support	OC 1st Flr.		NPT 3rd Flr.	2,481		2,481			
	Rehabilitation Unit	M.WW 2nd Flr.		OC 1st Flr.	2,980		2,980			
	Circulation	M.WW 2nd Flr.		OC 1st Flr.	2,001	700	2,701			
	Mech/Elec/Data	M.WW 2nd Flr.		OC 1st Flr.	512		512			
	Administration/Support	M.WW 2nd Flr.		OC 1st Flr.	3,238		3,238			
	Behavioral Health Unit	M.EW 2nd Flr.		OC 1st Flr.	2,405		2,405			
	Circulation	M.EW 2nd Flr.		OC 1st Flr.	1,940		1,940			
B. Unit/Depart. GSF	Mech/Elec/Data	M.EW 2nd Flr.		OC 1st Flr.						
	Administration/Support	M.EW 2nd Flr.		OC 1st Flr.	3,170		3,170			
	Mood & Disorder Unit	M.EW 2nd Flr.		OC 1st Flr.	2,357		2,357			
	Circulation	M.EW 2nd Flr.		OC 1st Flr.	1,923		1,923			
	Mech/Elec/Data	M.EW 2nd Flr.		OC 1st Flr.	0		0			
	Administration/Support	M.EW 2nd Flr.		OC 1st Flr.	3,498		3,498			
	Surgery Unit	MB 1st Flr.		OC 1st Flr.	5,161		5,161			
	Circulation	MB 1st Flr.		OC 1st Flr.	1,325		1,325			
	Endoscopy Unit	OC Ground Flr.		OC Ground Flr.	3,991		3,991			
	Circulation	OC Ground Flr.		OC Ground Flr.	1,631		1,631			
C. Mechanical/ Electrical GSF		NPT: North Patient Tower; OC: Outpatient Center, MB: Main Hospital Building; M.WW: McFarland West Wing; M.EW: McFarland East Wing								
				TOTALS	53,006	700	53,706			
D. Circulation /Structure GSF										
E. Total GSF										
TOTALS					53,006	700	53,706	\$247.52	\$232.90	\$247.33

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE: There has been continued, consistent demand for mental health treatment in the Applicant's service area, and the Applicant has effectively worked around logistical issues caused by the distance between its two campuses to serve the needs of multiple patient populations, especially those in Wilson County, where the Applicant is the only licensed hospital. However, to best serve all patient populations, the Applicant seeks to consolidate its campuses.

With the consolidation, the Applicant will have the ability to more conveniently provide psychiatric and rehabilitation services to rehabilitation and mental health patients, increasing the efficiency of its delivery of the services in its service area and ensuring's ability to continue to provide the services during times of high and low demand. Additionally, with less staffing restraints once the Main and Satellite Campuses are consolidated, the Applicant will have the necessary clinical resources available to serve all patients.

Moreover, as the only hospital in Wilson County, the Applicant periodically assesses its departments to ensure that they meet all standards and continue to improve with respect to quality. Though the renovation of the third floor North Patient Tower is required in order to transition the Applicant's PCU unit to that location, the surgery and endoscopy renovations are the Applicant's efforts to utilize currently vacant or inefficiently used space to increase the efficiency of the

manner in which it provides its services as well as to take advantage of economies of scale by doing several modifications at once.

D. Describe the need to change location or replace an existing facility.

RESPONSE: The Applicant needs to consolidate its campuses to ensure efficient delivery of healthcare services, convenient provision of services to patients, and reduction of staffing strain caused by having two separate campuses. It is not, however, seeking to relocate an entire facility. As later discussed, the Satellite Campus is an affiliate operating under the license of the Main Campus, which will remain in place. Thus, a facility is not being relocated.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost ;(As defined by Agency Rule).
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
 - b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE: Not applicable. The project does not involve the acquisition of major medical equipment.

III. A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must** include:

1. Size of site (*in acres*);
2. Location of structure on the site;
3. Location of the proposed construction; and
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE: Please see Attachment B.III.A.

B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: Both the Satellite Campus and the Main Campus are an approximate forty-minute drive from Nashville, Tennessee. The facilities are conveniently located with access to major roads and are about a 10 minute drive from I-40, central to Lebanon and the region the Applicant serves. The facility is convenient for those traveling by automobile, Tennessee's most common method of transportation as well as public transportation. This makes the location easily accessible to patients and their families as well as staff and caregivers, as the Main Campus is connected to surrounding communities by Interstates and Federal and State highways, making it easily accessible to Tennessee residents who look to Lebanon for care.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE: Please see Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

RESPONSE: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE:

COMPREHENSIVE INPATIENT REHABILITATION SERVICES

1. *The need for comprehensive inpatient rehabilitation beds shall be determined by applying the guideline of ten beds per 100,000 population in the service area of the proposal.*

Response: A chart of the projected need for comprehensive inpatient rehabilitation services is provided below for the year 2019. Please note that, since the Applicant does not provide adolescent inpatient rehabilitation services, the need is calculated based on population projections for those aged 18 and older.

Comprehensive Inpatient Rehabilitation Services Bed Need in Applicant's Service area for 2019

County	2019 Population		2019 Rehabilitation Bed Need Projections	
	Adult (18-64)	Adult (65+)	Adult (18-64)	Adult (65+)
Wilson	105,343	23,241	10	2
Davidson	533,989	85,344	53	9
Macon	18,524	4,483	2	1
Rutherford	259,292	38,077	26	4
Smith	16,157	3,842	2	1
Sumner	143,896	31,432	14	3
Warren	31,721	7,986	3	1
Totals:	1,108,922	194,405	110	21

Sources: Tennessee Department of Health CON Population Projections 2015-2019; Guidelines for Growth (2000 ed.)

Total Bed Need: 131

2. *The need shall be based upon the current year's population and projected four years forward.*

Response: The projected need for comprehensive inpatient rehabilitation beds is 131 beds for 2019.

3. Applicants shall use a geographic service area appropriate to inpatient rehabilitation services.

Response: The Applicant's central location with respect to its service area and the interstate is reasonable for its geographic service area, allowing patients and any visitors to easily reach the facility.

4. Inpatient rehabilitation units in acute care hospitals shall have a minimum size of 8 beds.

Response: The Applicant meets this requirement, as its inpatient rehabilitation unit is licensed for 26 beds and will initially be staffed at 10 beds.

5. Freestanding rehabilitation hospitals shall have a minimum size of 50 beds.

Response: Not applicable. The Applicant is not a freestanding rehabilitation hospital.

6. Additional inpatient rehabilitation beds, units, or freestanding hospitals should not be approved by the HFC unless all existing units or facilities are utilized at the following levels:

20-30 bed unit ~ 75%

31-50 bed unit/facility ~ 80%

51 bed plus unit/facility ~ 85%

Response: Not applicable. The Applicant does not seek to add beds.

7. The Applicant must document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal. It is preferred that the medical director of a rehabilitation hospital be a board certified physiatrist.

Response: The Applicant has adequate professional staff as required by all licensing requirements to deliver all designated services. The medical director preference is inapplicable, as the Applicant is not a rehabilitation hospital.

Acute Care Bed Need Services

1. The following methodology should be used and the need for hospital beds should be projected four years into the future from the current year...(guidelines detail the steps of the bed need projection methodology; see pp. 15-16 of Guidelines for Growth.)

RESPONSE: A chart of the projected acute care bed need for 2019 for each county in the Applicant's service area follows. Please note that the projections

were received from the Department of Health, Office of Health Statistics pursuant to a data request.

Acute Care Bed Need Projections for 2015 and 2019 in Applicant's Service Area

County	Projected ADC 2019	Projected Need 2019	Licensed Beds 2014	Staffed Beds 2014	Shortage/Surplus Licensed Beds	Shortage/Surplus Staffed Beds
Wilson	96	120	245	245	-125	-125
Davidson	2,486	3,108	3,772	3,221	-664	-113
Macon	10	17	25	25	-8	-8
Rutherford	297	371	481	463	-110	-92
Smith	19	29	25	18	4	11
Sumner	160	200	303	230	-103	-30
Warren	32	45	125	1	-80	44
TOTALS:	3,100	3,890	4,976	4,203	-1,086	-313

Source: Tennessee Department of Health, Office of Health Statistics Acute Care Bed Need Projections 2015-2019 and 2014 Joint Annual Reports ("JARS")

As noted above, the Tennessee Department of Health projects a net surplus of 1,086 acute care hospital beds in the Applicant's service area. The Applicant, however, is not requesting additional beds.

2. New hospital beds can be approved in excess of the "need standard for a county" if the following criteria are met:

(a) All existing hospitals in the projected service area have an occupancy level greater than or equal to 80 percent for the most recent Joint Annual Report. Occupancy should be based on the number of licensed beds that are staffed for two consecutive years.

(b) All outstanding CON projects for new acute care beds in the proposed service area are licensed.

(c) The Health Facilities Commission may give special consideration to acute care bed proposals for specialty health service units in tertiary care regional referral hospitals.

RESPONSE: Not Applicable. The Applicant is not requesting additional hospital beds.

Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: Not Applicable. The Applicant is not requesting additional beds, services, or medical equipment.

2. For relocation or replacement of an existing licensed health care institution:

(a) The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

(b) The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE: Not applicable. Though the Applicant is shifting beds from the Satellite Campus, this is not a move of the health care institution itself, which remains located on the Main Campus. The Satellite location, as an affiliate of the Main Campus, is not a separate health care institution in and of itself, as it is tethered directly to the Main Campus and its license. Therefore, shifting beds from the Satellite Campus to the Main Campus is not a relocation of a health care institution.

3. For renovation or expansions of an existing licensed health care institution:

(a) The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: There is a demand for the project in the Applicant's service area, as evidenced by the consistent demand for psychiatric and rehabilitation services. The average daily census for the psychiatric services in particular, as evidenced in charts contained herein, have remained within a steady, consistent range for the past few years, indicating that there is a consistent need for such services in the Applicant's service area.

(b) The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: The building on the Satellite Campus currently requires extensive repairs and/or renovations if the Applicant continues to use it which are not financially feasible. On the Main Campus, the third floor of the North Patient Tower requires renovation because it is currently empty

shell space and would not be able to house patients otherwise. The PCU is best moved to the North Patient Tower because its current location is better suited for a multi-unit set up, allowing for several nurses stations, offices, and staff lounges for the 3 Satellite Campus units, than the North Patient Tower, which has less space and is consequently more suitable to house a unit. The renovation of the surgery department is required to better enable the Applicant to accommodate overflow cases.

The endoscopy renovation will allow the Applicant to take advantage of currently vacant space while giving its endoscopy department much needed space. Currently housed in space approximately half the size of the proposed endoscopy unit, the renovation will permit the Applicant to more efficiently provide endoscopy services to multiple patients, in addition to giving the staff and physicians relief by reducing the need to travel to various parts of the campus or the building, since the endoscopy unit will now have space for an office, lounge, locker room with shower, and an equipment storage area in addition to the enlarged patient spaces.

Psychiatric Inpatient Services

A. Need

1. The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in the Joint Annual Reports).

RESPONSE: A chart containing the calculations for psychiatric inpatient services in the Applicant's service area appear below.

Projected Psychiatric Bed Need in Applicant's Service area for 2019

County	2019 Population		2019 Psychiatric Bed Need Projections	
	Adult (18-64)	Adult (65+)	Adult (18-64)	Adult (65+)
Wilson	105,343	23,241	32	7
Davidson	533,989	85,344	160	26
Macon	18,524	4,483	6	1
Rutherford	259,292	38,077	78	11
Smith	16,157	3,842	5	1
Sumner	143,896	31,432	43	9
Warren	31,721	7,986	10	2
Totals:	1,108,922	194,405	334	57

Sources: Tennessee Department of Health CON Population Projections 2015-2019; Guidelines for Growth (2000 ed.)

Total Bed Need: 391

As noted in the chart above, the total bed need for 2019 for psychiatric inpatient beds at a rate of 30 beds per 100,000 population in the Applicant's service area is 391 beds.

2. For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.

RESPONSE: As shown in the charts above, the bed need in the Applicant's service area for adults 18 years and older is 391 beds (334 for ages 18-64 plus, 57 for ages 65 and up).

3. For child inpatient under age 13, and if adolescent program the age group of 13-17 should be used.

RESPONSE: Not applicable. The Applicant does not provide psychiatric services to patients aged 13 to 17.

4. These estimates for total need should be adjusted by the existent staffed beds operating in the area as counted by the Department of Health in the Joint Annual Report.

RESPONSE: A chart containing the number of existing staffed and licensed beds in the Applicant's service area follows:

Staffed and Licensed Psychiatric Beds in Applicant's Service Area

Hospital	County	2014 Staffed Psych Beds	2014 Licensed Psych Beds	2014 Facility Average Daily Census	2015 Staffed Psych Beds	2015 Licensed Psych Beds	2015 Facility Average Daily Census
Middle Tennessee Mental Health Institute	Davidson	207	207	177	*	*	*
Saint Thomas West Hospital	Davidson	23	23	13	*	*	*
TriStar Centennial Medical Center	Davidson	130	132	90	*	*	*
TriStar Skyline Madison Campus	Davidson	102	102	53	*	*	*

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Vanderbilt University Hospitals	Davidson	88	88	77	*	*	*
TrustPoint Hospital	Rutherford	59	59	41	*	*	*
Riverview Regional Medical Center South	Smith	10	10	7	*	*	*
Sumner Regional Medical Center	Sumner	8	12	8	*	*	*
McFarland Specialty Hospital	Wilson	49	49	19	49	49	18*
Totals:		676	682	485	49	49	18

*Information is not available at this time.

**As of August 31, 2015

Sources: 2014 Joint Annual Reports and Applicant's Internal Records

Adjusted for the number of existing staffed (rather than licensed) psychiatric beds, the total bed need in the Applicant's service area is -285 beds (total bed need of 391 minus 676 existing staffed beds). However, the Applicant is not requesting additional beds.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity or the Community Service Agency.

RESPONSE: The Applicant is the only provider of psychiatric inpatient services in Wilson County, which is a Medically Underserved Area. The Applicant's continued provision of these services will ensure that residents of its service area continue to have access to mental health services and also better contribute to the orderly development of healthcare in the service area.

2. The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.

RESPONSE: The Applicant serves, and will continue to serve, adults of all ages, without discrimination with regard to gender, race, and ethnicity. It currently serves a significant low-income TennCare and Medicare population and plans to continue such services. In addition, the Applicant will admit self-pay and charity patients. The Applicant will also continue to accept involuntary admissions from the judicial system and local law enforcement.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.

RESPONSE: This project will fulfill many of the goals set forth in the Tennessee Guidelines for Growth. This project will support the delivery of services in the most medically appropriate and cost-efficient setting. By consolidating its campuses, the Applicant will benefit Tennesseans by improving the accessibility of healthcare services provided by the Applicant. Being on one campus, patients and their loved ones will be able to more easily navigate between one department to another. Additionally, the Applicant's staff will be less constrained, as the Applicant will be able to take advantage of systems, processes, and staff members already in place on the main campus. In addition, the Guidelines direct that preference should be given to patient accessibility and availability, both of which will be improved in the Applicant's service area if this project is approved.

2. The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county, and/or regional plans and other documents should be a significant consideration.

RESPONSE: The Applicant's service area consists of Davidson, Macon, Rutherford, Smith, Sumner, Warren, and Wilson Counties. As reported by the Health Resources and Services Administration of the US Department of Health and Human Services, the entire area of Macon, Wilson, and Warren counties are designated medically underserved area as ("MUAs"), while portions of Davidson, Smith, Rutherford, and Sumner Counties are designated as MUAs. This project seeks to ensure that the mental health needs of these underserved areas continue to be met.

3. The impact of the proposal on similar services supported by state appropriations should be assessed and considered.

RESPONSE: The Applicant anticipates that the state mental health

hospital and its service area will support this project.

4. The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.

RESPONSE: The Applicant will accept involuntary admissions.

5. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

RESPONSE: The Applicant will contract with all area TennCare MCO's that cover psychiatric services. Its projected payor mix for TennCare is 42.65% and 33.55% for Medicare.

D. Relationship to Existing Similar Services in the Area

1. The area's trends in occupancy and utilization for similar services should be considered.

RESPONSE: As noted in the charts below, occupancy rates in the Applicant's service area have remained consistent or increased over the last five years.

Occupancy Rates in Applicant's Service Area

Facility	2010	2011	2012	2013	2014
Middle Tennessee Mental Health Institute	73%	84%	85%	85%	86%
Saint Thomas West Hospital	89%	91%	69%	61%	55%
TriStar Centennial Medical Center	59%	72%	63%	94%	68%
TriStar Skyline Madison Campus	48%	57%	55%	75%	52%
Vanderbilt University Hospitals	76%	83%	88%	85%	88%
TrustPoint Hospital (Opened 2013)	N/A	N/A	N/A	54%	69%
Riverview Regional Medical Center South (No psych beds before 2012)	N/A	N/A	70%	69%	72%
Sumner Regional Medical Center (No psych beds before 2012)	N/A	N/A	66%	57%	69%
McFarland Specialty Hospital	48%	77%	48%	40%	39%

Sources: Tennessee Joint Annual Reports 2010 through 2014

2. Accessibility to specific special need groups should be an important factor.

RESPONSE: As mentioned previously, the Applicant serves a significant number of elderly and low-income individuals in its service area. This project will increase accessibility for these individuals and promote more efficient and effective care for all patients.

E. Feasibility

1. The ability of the applicant to meet Tennessee Department of Mental Health licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.

RESPONSE: The Applicant hereby confirms that it currently meets such licensure requirements and will continue to do so upon the approval of the project.

In addition to the above, the Applicant has reviewed the 2010 Tennessee State Health Plan and the 2014 update, published by the Division of Health Planning, and believes that the approval of its CON application would assist the development of the goals and strategies set forth in the "Five Principles for Achieving Better Health," as found in the State Health Plan, as follows:

(1) ***The purpose of the State Health Plan is to improve the health of Tennesseans.*** This project seeks to consolidate all beds at one of the Applicant's existing campuses to improve access to mental health care, to enhance the accessibility and quality of the mental health programs offered by the Applicant, and to increase the Applicant's ability to collaborate with local medical providers and law enforcement officials. These goals are consistent with and vital to the improvement of the medical and mental health of Tennesseans.

(2) ***Every citizen should have reasonable access to healthcare.*** Although the Applicant is a private facility, it is committed to serving elderly and low-income patients in the Medicare and TennCare programs. The Applicant currently accommodates a substantial number of managed care consumers.

(3) ***The state's healthcare resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's healthcare system.*** This project supports these goals by increasing the competitiveness of the market for private hospital psychiatric services in the Applicant's service area, providing for an economically efficient development of the system for mental health services in the Applicant's service area.

(4) ***Every citizen should have confidence that the quality of healthcare is continually monitored and standards are adhered to by healthcare providers.*** The Applicant continually monitors applicable standards of care with the goal of always meeting or exceeding such standards, thus ensuring that patients and their family members receive quality care and support appropriate for their circumstances.

(5) ***The state should support the development, recruiting and retention of a sufficient and quality healthcare workforce.*** The Applicant supports the development, recruitment and retention of a sufficient and quality healthcare workforce through its various training programs, community outreach initiatives, and other programs and support.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response: Not applicable. Though the Applicant is shifting beds from the Satellite Campus, this is not a move of the health care institution itself, which remains located on the Main Campus. The Satellite location, as an affiliate of the Main Campus, is not a separate health care institution in and of itself, as it is tethered directly to the Main Campus and its license. Therefore, shifting beds from the Satellite Campus to the Main Campus is not a relocation of a health care institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: This project will assist the Applicant in streamlining the manner in which it is able to staff its hospital, and improve the accessibility of mental health services to residents of its service area.

Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: Please see Attachment Need.3.

3. A. Describe the demographics of the population to be served by this proposal.
- Response:** A chart of demographic information for the service area is provided below.

Demographics of the Service Area and Surrounding Counties

	Total Population 2015	Total Population 2019	%Change	18-64 Population 2015	18-64 Population 2019	18-64 Population %Change	65+ Population 2015	65+ Population 2019	65+ Population %Change	TennCare Enrollees*	TennCare Enrollees as % of Total
Davidson	671,403	706,549	5.2%	438,220	448,645	2.4%	75,199	85,344	13.5%	145,479	21.7%
Macon	23,259	24,023	3.3%	13,871	14,041	1.2%	3,869	4,483	15.9%	6,820	29.3%
Rutherford	307,088	347,767	12.5%	199,380	221,215	11.0%	29,902	38,077	27.3%	47,267	15.3%
Smith	20,051	20,685	3.2%	12,189	12,315	1.0%	3,282	3,842	17.1%	4,230	21.1%
Sumner	175,794	187,398	6.6%	107,075	112,464	5.0%	26,289	31,432	19.6%	28,791	16.4%
Warren	40,721	41,304	1.4%	23,874	23,735	-0.6%	7,159	7,986	11.6%	11,067	27.2%
Wilson	126,659	136,217	7.5%	77,627	82,102	5.8%	18,910	23,241	22.9%	18,206	14.4%
Total	1,364,975	1,463,943	7.3%	872,236	914,517	4.8%	164,610	194,405	18.1%	261,860	19.2%

Sources: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health CON
Population Projections 2015-2019

*TennCare Enrollees as of August 2015

Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response : Wilson County is the Applicant's main patient source and its residents have limited access to rehabilitation and psychiatric services if they wish to receive services in their county of residence since the Applicant is the sole hospital provider of these services. Thus, there is a "special need." The approval of this project will further enable patients who need the specialized care available at the Applicant's facility to obtain those services in a modern, accessible setting close to patients' homes, families and communities.

Additionally, integrating the Applicant's mental health services with the remainder of the services offered on the Main Campus will assist with removing any potential stigma or embarrassment associated with the receipt of mental health services, however unwarranted. Instead of being relegated to a separate location dedicated solely to these services, patients can feel more at ease going to the Main Campus for treatment without the fear that they are publicly announcing a need for mental health services with their presence alone.

Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response : Though the Applicant is the sole hospital with licensed psychiatric beds in Wilson County, there are 9 hospitals in its broader service area that have licensed psychiatric beds. Five of these hospitals are located in Davidson County, the largest county in the Applicant's service area. A chart of the utilization data for each of these hospitals and the Applicant follows:

Facility	Number of Psychiatric Beds	Admissions (CY 2012)	Admissions (CY 2013)	Admissions (CY 2014)
Middle Tennessee Mental Health Institute*	207*	2,881	3,158	3,642
Saint Thomas West Hospital	23	321	309	275

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TriStar Centennial Medical Center	130	2,923	3,903	3,252
TriStar Skyline Madison Campus	102	2,814	3,179	3,014
Vanderbilt University Hospitals	88	3,503	3,547	3,646
TrustPoint Hospital	50	N/A	1,173	1,861
Riverview Regional Medical Center South	10	198	172	200
Sumner Regional Medical Center	8	89	170	137
McFarland Specialty Hospital (Applicant)	49	944	864	858
Total	460	1,231	16,475	16,885

Sources: Applicant's internal records and 2012, 2013, and 2014 Joint Annual Reports

*Middle Tennessee Health Institute had 195 beds in 2012 and 2013 and had 207 beds in 2014 according to its JARS for those years.

1. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response : The utilization statistics for both psychiatric and rehabilitation services for 2013 through August 2015 are as follows:

2015 Inpatient Days Through August 2015		
Patient Type	Inpatient Days	Utilization Percentage
BCBS	292	5.2%
Tricare	49	0.87%
Commercial	7	0.12%
TennCare	2,396	42.65%
Medicare	1,885	33.55%
Self-Pay	5	0.09%
Other-HMO/PPO	984	17.53%
		100.0%
Occupancy-75 beds	21%	

2014 Inpatient Days		
Patient Type	Inpatient Days	Utilization Percentage
BCBS	428	4.73%
Tricare	108	1.19%
Commercial	71	0.78%
TennCare	3,383	37.36%

Medicare	4,569	50.46%
Self-Pay	5	0.06%
Other-HMO/PPO	491	5.42%
		100.0%
Occupancy-75 beds	33%	

2013 Inpatient Days		
Patient Type	Inpatient Days	Utilization Percentage
BCBS	763	7.74%
Tricare	40	0.41%
Commercial	502	5.09%
TennCare	3,343	33.89%
Medicare	5,118	51.89%
Self-Pay	42	0.43%
Other-HMO/PPO	56	0.57%
		100.0%
Occupancy-75 beds	36%	

The projected utilization for the hospital as a whole for Year 1 and Year 2 are detailed in the charts below:

Year 1 Projected Utilization (245 Beds)		
Patient Type	Inpatient Days	Utilization Percentage
BCBS	1,978	5.2%
Tricare	331	0.87%
Commercial	45	0.12%
TennCare	16,227	42.65%
Medicare	12,765	33.55%
Self-Pay	34	0.09%
Other-HMO/PPO	6,669	17.53%
		100.0%
Occupancy-245 beds	42%	

Year 2 Projected Utilization (245 Beds)		
Patient Type	Inpatient Days	Utilization Percentage
BCBS	2,001	5.2%
Tricare	334	0.87%
Commercial	46	0.12%
TennCare	16,414	42.65%
Medicare	12,912	33.55%
Self-Pay	34	0.09%
Other-HMO/PPO	6,746	17.53%

		100.0%
Occupancy-245 beds	43%	

Note: Utilization for 2013-2015 is based on actual experience. Projected utilization for Year 1 and Year 2 is a combination of the proposed project and existing hospital; with 104 ADC in Year 1 and 105 ADC in Year 2. Forecasted ADC is an estimation based on a number of factors such as community need and hospital management experience.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see Attachment C. Economic Feasibility.1 for a letter supporting the estimated construction costs.

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A. Construction and equipment acquired by purchase		
1.	Architectural and Engineering Fees	<u>\$941, 278</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	<u>\$296, 062</u>
3.	Acquisition of Site	<u></u>
4.	Preparation of Site	<u>\$100,000</u>
5.	Construction Costs	<u>\$13,282,948</u>
6.	Contingency Fund	<u>\$1,574,108</u>
7.	Fixed Equipment (Not included in Construction Contract)	<u>\$4,019,277</u>
8.	Moveable Equipment (List all equipment over \$56,000)	<u></u>
9.	Other (Specify) <u>Non-medical Equipment</u>	<u>\$1,363,300</u>
10.	<u>Abatement</u>	<u>\$228,470</u>
B. Acquisition by gift, donation, or lease: Not Applicable.		
1.	Facility (inclusive of building and land)	<u></u>
2.	Building only	<u></u>
3.	Land only	<u></u>
4.	Equipment (Specify) <u></u>	<u></u>
5.	Other (Specify) <u></u>	<u></u>
C. Financing Costs and Fees: Not Applicable.		
1.	Interim Financing	<u></u>
2.	Underwriting Costs	<u></u>
3.	Reserve of One Year's Debt Service	<u></u>
4.	Other (specify) <u>Capital Interest (CIP account)</u>	<u>649,557</u>
D.	Estimated Project Cost (A+B+C+)	<u>\$22,455,000</u>
E.	CON Filing Fee	<u>\$45,000</u>
F.	Total Estimated Project Cost (D+E)	<u>\$22,500,000</u>
TOTAL		<u>\$22,500,000</u>

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1. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F Other—Identify and document funding from all other sources.

Response: The cost of the project will be paid through cash reserves of the Applicant and its affiliates. Please see Attachment C. Economic Feasibility-2 for documentation of this fact.

2. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The project will be cost effective and consistent with the average costs for similar projects. The project's estimated construction cost is approximately \$247.33 per square foot, which is between the HSDA's published Median and 3rd Quartile cost per square foot. New construction cost is below the median of \$259.66 per square foot at \$232.90 per square foot. A chart of the hospital construction projects approved by the HSDA in 2012-2014 follows:

Hospital Construction Costs Per Square Foot (2012-2014)			
	Renovated Construction	New Construction	Total Construction
1 st Quartile	\$110.98/SF	\$224.09/SF	\$156.78/SF
Median	\$192.46/SF	\$259.66/SF	\$227.88/SF
3 rd Quartile	\$297.82/SF	\$296.52/SF	\$298.66/SF

Source: CON approved applications for years 2012 through 2014

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: Please see Attachment C. Economic Feasibility-4. Historical and Projected Data Charts.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The project's average gross charge, average deduction from operating revenue, and average net charge are as follows:

	Year 1	Year 2
Average Gross Charge	\$8,260.91	\$8,261.11
Average Deduction from Revenue	\$7,156.62	\$7,156.88
Average Net Charge	\$1,104.29	\$1,104.23

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: The project is anticipated to produce positive net operating income within the first year of operation. The expected net operating income will be driven by a combination of occupancy rates, expansion of outpatient programs, and efficiencies in operating overhead through the end of year two of the project.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: The Applicant participates in Medicare, Medicaid (TennCare) and Tricare insurance programs. Government sponsored or affiliated health insurance programs accounted for approximately 77% of the Applicant's business through August 2015. The Applicant's 2015 mix of payors to date is as follows: 33.55% Medicare, 42.65% Medicaid, and 0.87% Tricare.

The Applicant has assumed the current mix of revenue sources to remain constant for purposes of forecasting revenue and occupancy for the project.

Total Year 1 Inpatient Revenue	\$314,319,360	
Medicare	\$105,454,145	33.55%
Managed Medicaid	\$134,057,207	42.65%
Tricare	\$2,734,578	0.87%

The Applicant currently serves indigent patients and assumes that current indigent care volume will approximate the level of indigent care provided with the proposed project.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.

Response: Please see Attachment: C. Economic Feasibility - 10 for copies of the balance sheet and income statement from the Applicant's most recent reporting period, as well as a copy of the most recent audited financials.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: The Applicant has carefully considered its request to consolidate its campuses and renovate the identified buildings as described in its Certificate of Need application, and a cost-efficient, reasonable alternative does not exist. If the Applicant forgoes the renovation and consolidation, it will still be required to undertake extensive renovations to the building on the Satellite Campus, as earlier described, and it and its patients will be subject to constrained staffing due to the necessity of providing adequate staffing on both campuses. Proceeding as planned with the consolidation and renovations described in the application however, will allow money that likely would have been used to do all necessary renovations on one campus to be used for the benefit of several departments on the main campus, thus permitting the Applicant to more efficiently use its funds and to ensure that its facility continues to be comparable or better than that of its peers.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE: In addition to the MCO's noted at Section A, Item 13, above, in the student programs listed later in the application, the Applicant has a transfer agreement in place with Vanderbilt University Hospital.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE: The Applicant does not anticipate any material shifting of patients or patient days from other providers in its service area.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: The current average adult inpatient billable rate (i.e., the Gross Charge) at the Applicant's facility is \$8,261.01 per patient day. The Applicant does not anticipate any adjustments to the current charge schedules as a result of the proposed project. The project is projected to produce \$13,849,254 in net revenue in the first year of operation. The Applicant further anticipates a utilization mix similar to its current 2014 mix for the project, with minimal or no change or impact to existing patient charges.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The following information was obtained from Joint Annual Reports of a selection of hospitals in the Applicant's service area:

	Sumner Regional Medical Center	TrustPoint Hospital	Riverview Regional Medical Center South	Applicant
Average Gross Charge	\$7,287.13	\$1,833.32	\$4,794.56	\$8,260.91
Average Deduction	\$5,544.04	\$958.99	\$3,663.02	\$7,156.62
Average Net Charge	\$1,743.10	\$874.32	\$1,131.54	\$1,104.29

Source: 2014 Joint Annual Reports

The Applicant is reimbursed according to a prospective payment system that is calculated using a based rate per diem adjusted for DRG (diagnosis), wage rate, co-morbidity add-ons, and a variable cost component.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: The Applicant currently projects that the project will end year one of its operation with operating income sufficient to cover the operations of the facility. Therefore, the project is expected to be profitable in its first year of operation.

October 23, 2015**3:44 pm**

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: The current and proposed staffing pattern the proposed project are as follows for the rehabilitation, psychiatric, PCU, surgery, and endoscopy patients:

Schedule of Current and Proposed FTEs

Position		Current	Proposed
107	Patient Care Tech	4.66	4.66
108	LPN	7.66	7.66
111	Patient Care Tech CNA/PRN	1.1	1.5
129	LPN IV	.58	.58
194	Clinical Assess Coordinator	.95	.95
201	Unit Clerk	.78	.78
505	Staff RN-PRN	4.15	4.15
506	RN Med/Surg.	26.84	28.84
511	Social Worker MSW	3.8	3.8
714	Director	.9	.9
774	Director of Rehab Services	.9	.9
991	Clinical Coordinator	2.38	2.38
Total FTEs		55	57.1

The Applicant does not anticipate that the project will result in any staffing changes.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE: As discussed above, the Applicant's current staffing pattern will remain largely unchanged, as it is adequate for its needs and the requirements of the Department of Health, Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

3. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission

privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE: The Applicant has reviewed and understands the aforementioned requirements.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The Applicant has relationships with the following educational institutions for the training of students in the areas of medicine, nursing, social work, etc.: Cumberland University (Athletic Training Program); Drexel University and Union University School of Nursing at Hendersonville (Nursing programs); Fortis Institute (Laboratory); Tennessee State University (PT/OT and Speech Therapy); University of Tennessee Knoxville (Social Work); Tennessee College of Applied Technology-Hartsville, Middle Tennessee State University, Trevecca Nazarene College and Volunteer State Community College (Nursing/ER/Ancillary Services); Wilson County School Systems (Vocational Health Care Education).

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The Applicant is familiar with all licensure requirements of the Tennessee regulatory agencies and relevant Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE: The Applicant is licensed by the Tennessee Department of Health, certified by Medicare and TennCare, and accredited by The Joint Commission.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE: Please see Attachment Contribution to the Orderly Development of Healthcare – 7(c), which contains a copy of the Applicant's current hospital license issued by the Tennessee Department of Health and a copy of the Applicant's current accreditation certificate issued by The Joint Commission.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE: The Applicant has not been cited for any deficiencies.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: None.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

RESPONSE: None.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Cost of Publication

\$ 163.00

Proof of Publication

⁵⁹
LEBANON DEMOCRAT
PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in
The Lebanon Democrat, a daily newspaper published in the City of
Lebanon, County of Wilson, State of Tennessee on the following dates:

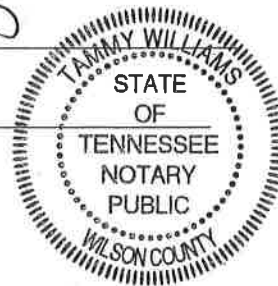
Signed: Meranie Ray

9-10-2015

Subscribed and sworn to before me

on this 29 day of Sept
T. Williams
2-11-19

Commission expires: _____



**NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Lebanon HMA, LLC (d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital, and d/b/a University Medical Center), intends to file an application for a Certificate of Need for the relocation and consolidation of three units, a sixteen (16) bed behavioral health unit, a sixteen (16) bed mood disorder unit, and a ten (10) bed inpatient rehabilitation unit, from their current satellite location at 500 Park Avenue, Lebanon, TN 37087 to the main campus at 1411 Baddour Parkway, Lebanon, TN 37087 (both in Wilson County, TN). The estimated project cost is \$16,100,000.

The anticipated filing date of the application is on or before September 15, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babc.com.

Upon written request by interested parties, a local fact-finding hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): **January 27, 2016**. Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<u>Anticipated Date</u>	
	<u>DAYS REQUIRED</u>	<u>(MONTH/YEAR)</u>
1. Architectural and engineering contract signed	30	February 2016
2. Construction documents approved by the Tennessee Department of Health	151	July 2016
3. Construction contract signed	7	July 8, 2016
4. Building permit secured	7	July 15, 2016
5. Site preparation completed	10	July 25, 2016
6. Building construction commenced	7	August 1, 2016
7. Construction 40% complete	153	January 2017
8. Construction 80% complete	243	September 2017
9. Construction 100% complete (approved for occupancy)	94	December 4, 2017
10. *Issuance of license	26	December 30, 2017
11. *Initiation of service	9	January 9, 2018
12. Final Architectural Certification of Payment	50	March 2018
13. Final Project Report Form (HF0055)	31	April 2017

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Attachment B.III.A

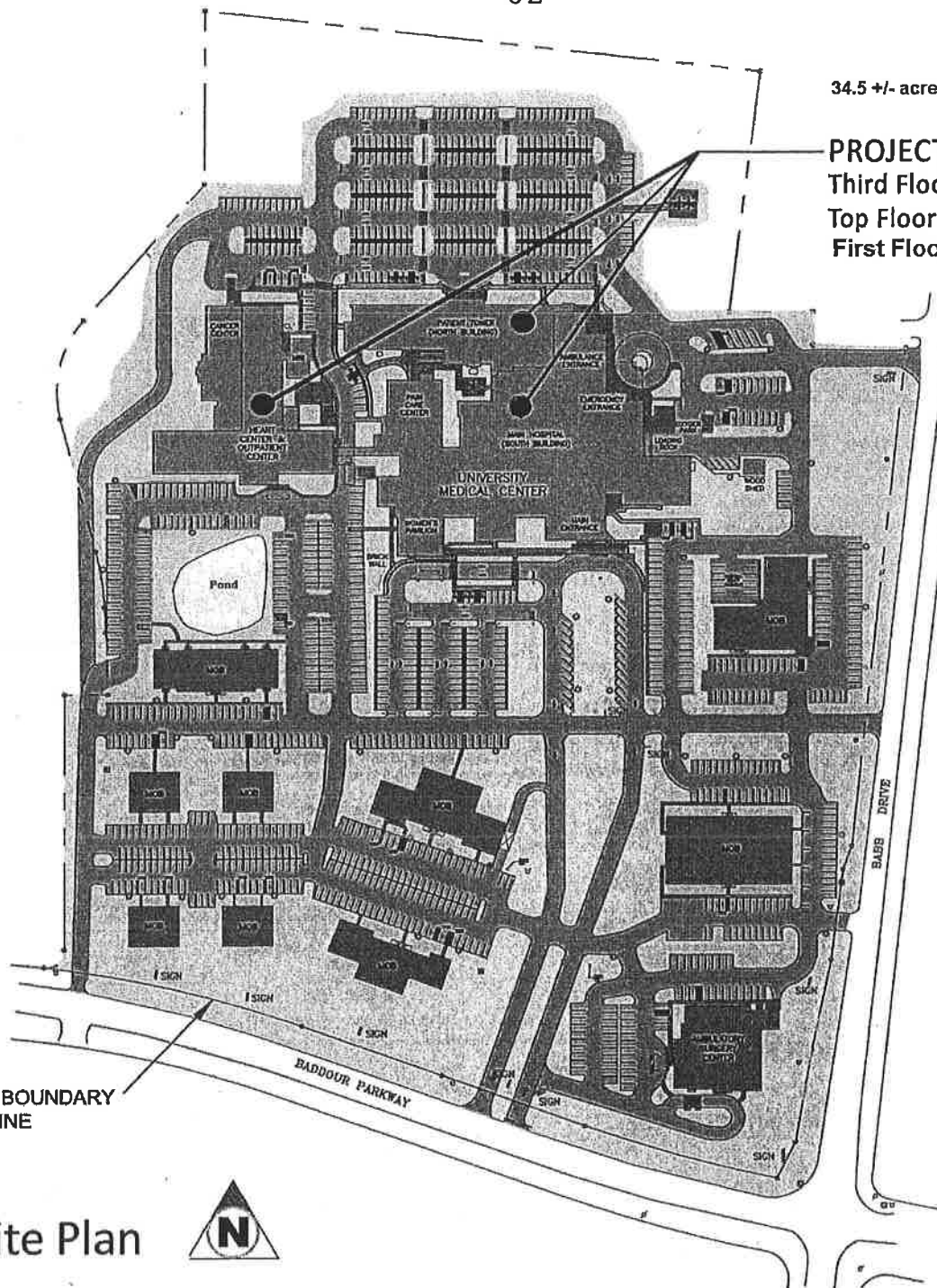
Plot Plan

34.5 +/- acres total

PROJECT LOCATION
 Third Floor Shell Space
 Top Floor Outpatient Center
 First Floor - Main Hospital

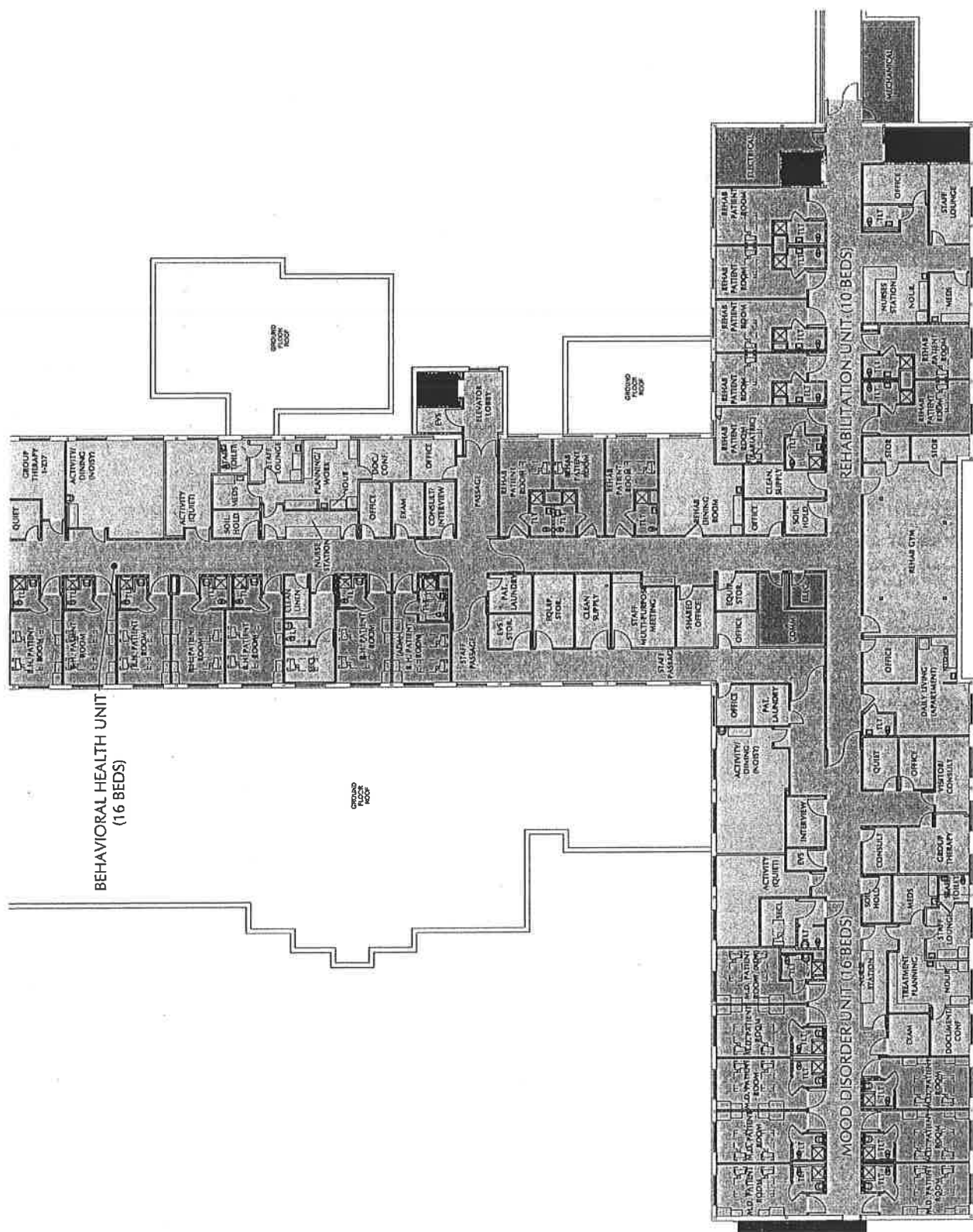
OVERALL BOUNDARY
 LINE

Site Plan

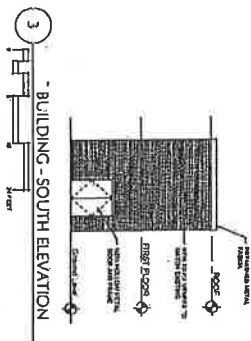


Attachment B.IV

Floor Plans



BUILDING EAST ELEVATION

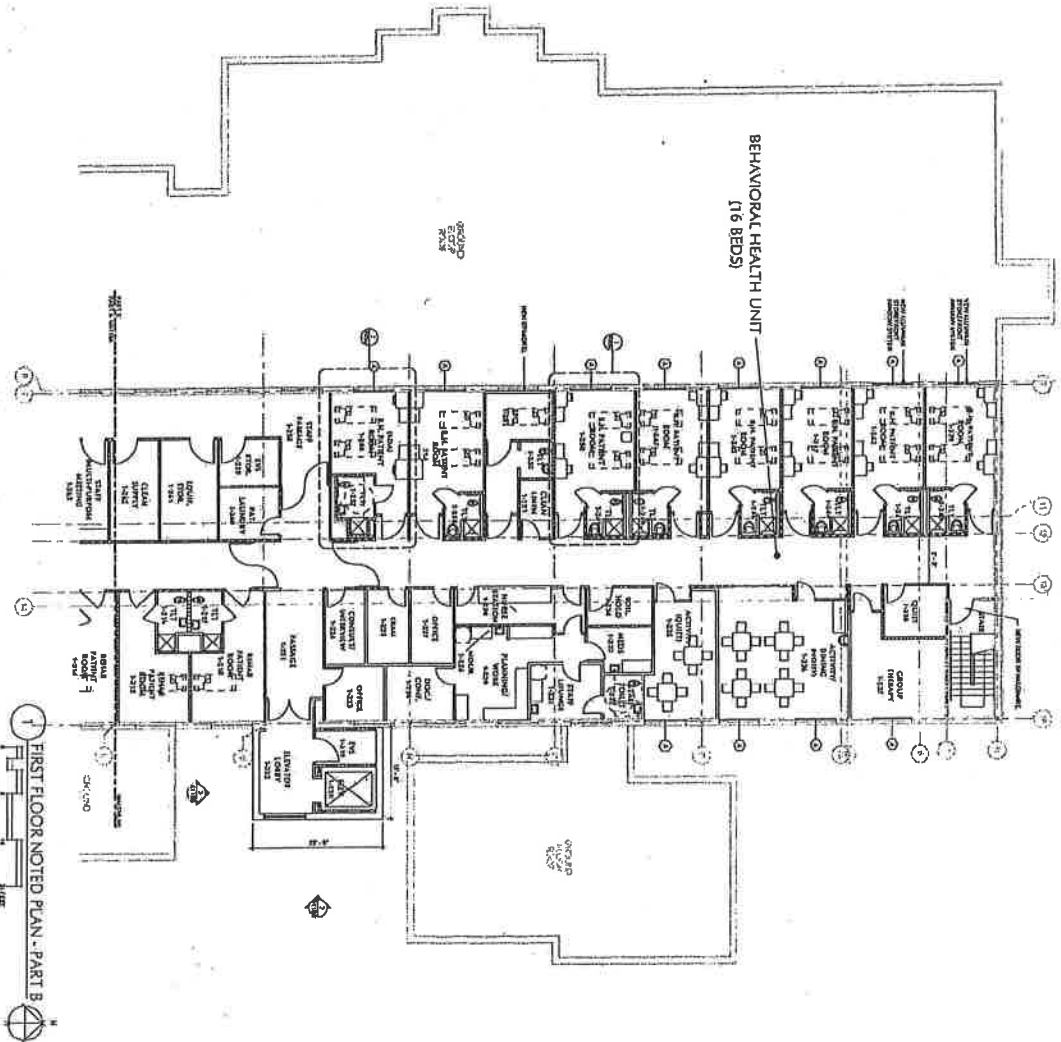


BUILDING - SOUTH ELEVATION

WALL LEGEND

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NOTED PLAN GENERAL NOTES



FIRST FLOOR NO. 1 ED PLAN - PART B

05/20/2015 - SCHEMATIC DESIGN - NOT ISSUED FOR CONSTRUCTION

FACILITY CONSOLIDATION
UNIVERSITY MEDICAL CENTER
LEBANON, TENNESSEE

tm
TMPartners, P.L.C.
2519 Woodland Way
Suite 200
Broomfield, CO 80020-5065
616.377.9771 Office
616.376.6161 Fax
www.tmpartners.com
art@tm.com
info@tm.com
press@tm.com

**FIRST FLOOR NOTED
PLAN-PART B &
ELEVATIONS**

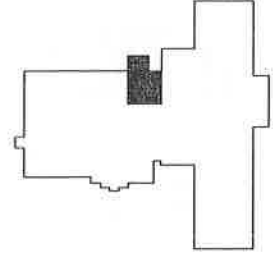
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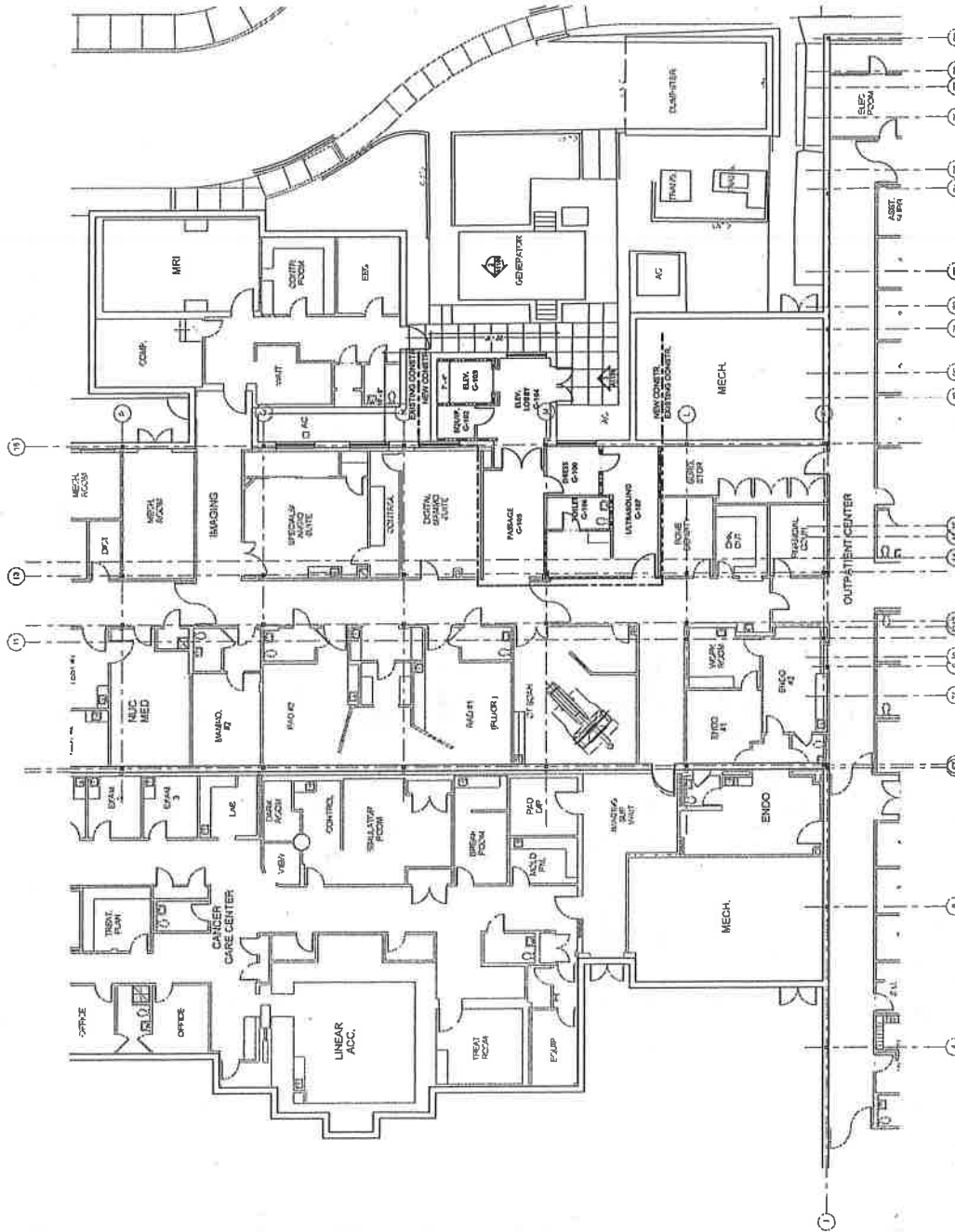
WALL LEGEND

NEW CONSTRUCTION	REPAIR TO THE SAME OR BETTER	REPAIR TO DIFFERENT TYPE AND MATERIAL
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05/20/2015 - SCHEMATIC DESIGN - NOT ISSUED FOR CONSTRUCTION

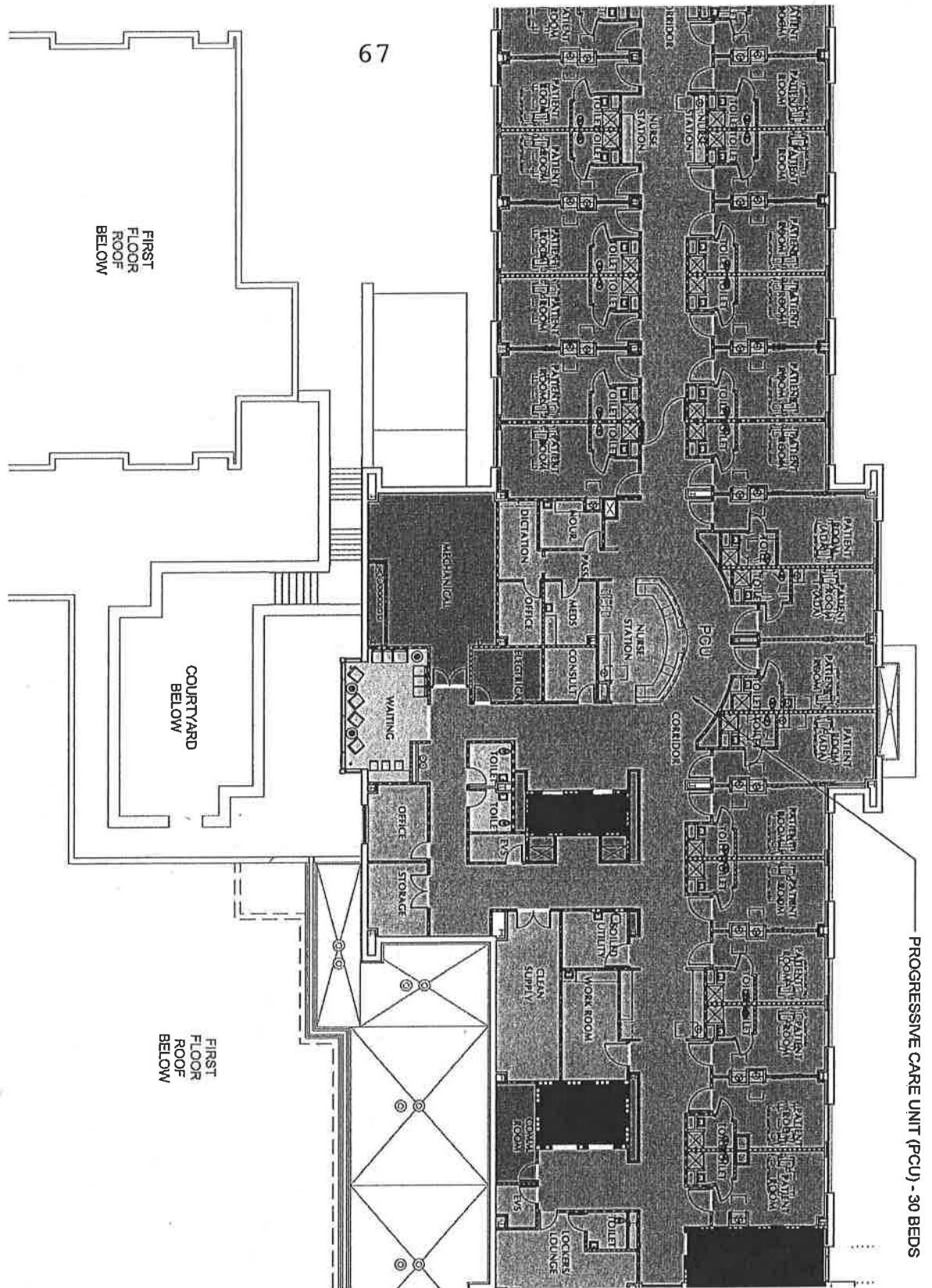


WEST BUILDING - KEY PLAY



GROUND FLOOR NOTED PLAN

Outpatient Center: Ground Floor (Elevator)

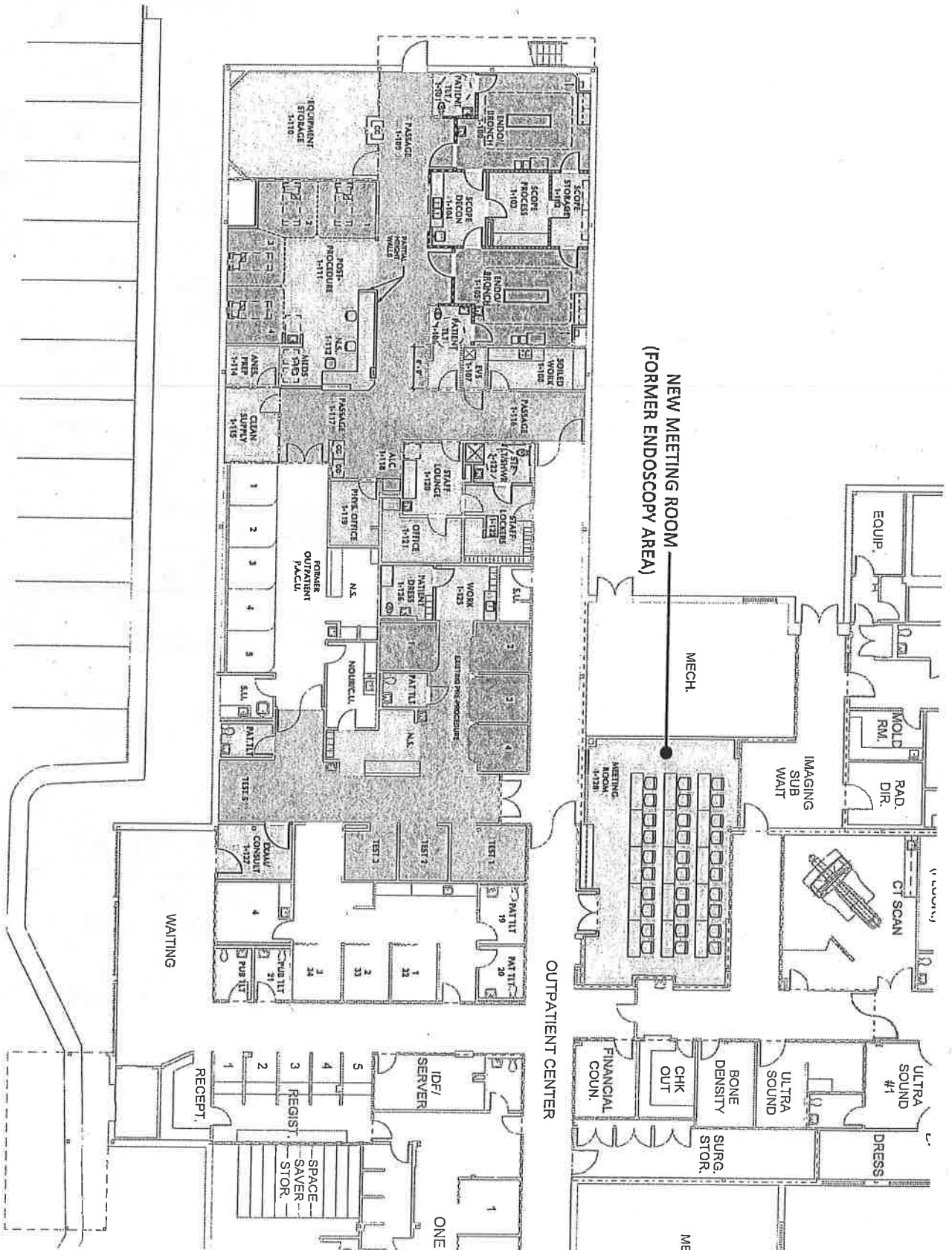


PROGRESSIVE CARE UNIT (PCU) - 30 BEDS



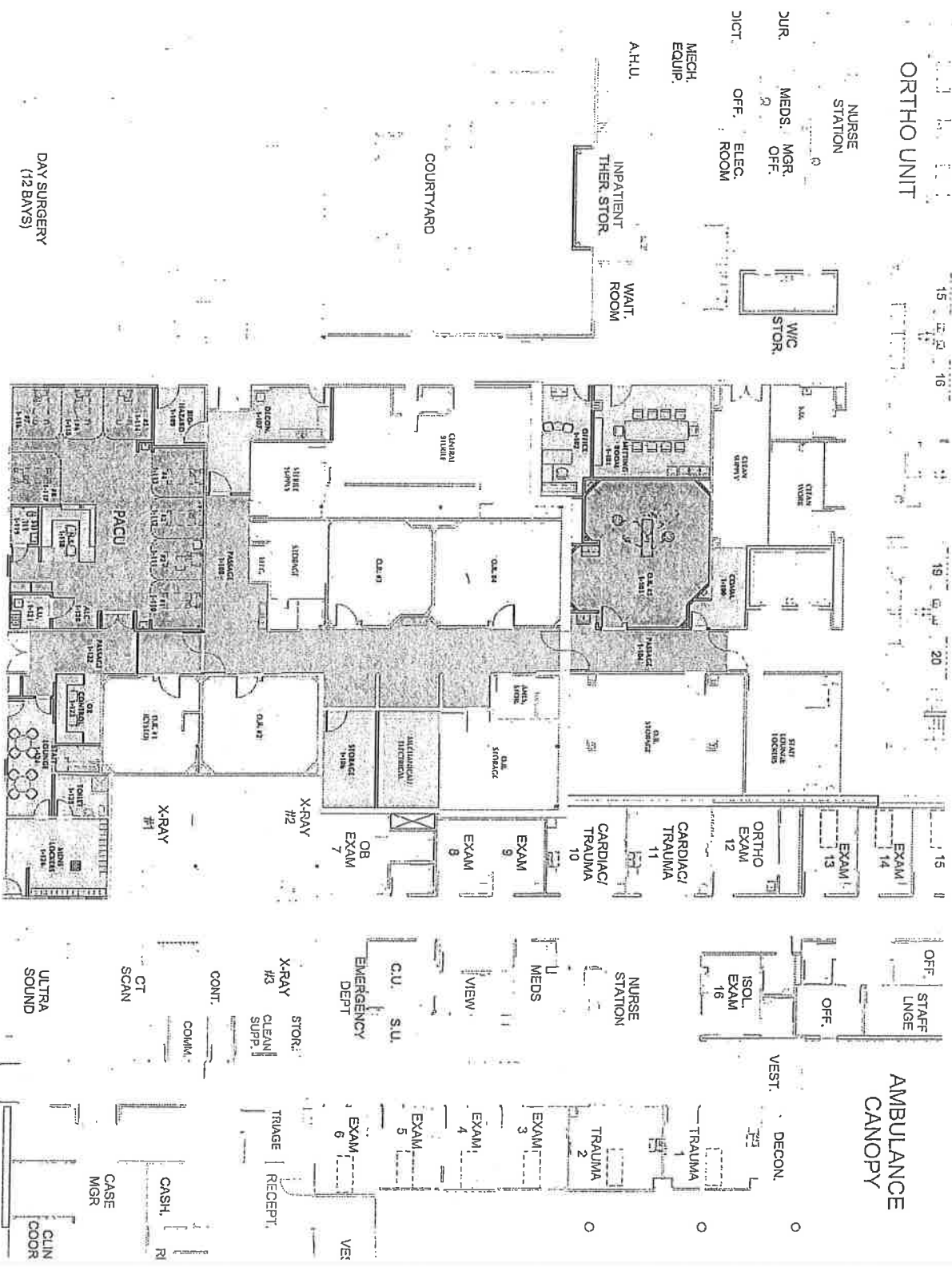
TM Partners, PLLC
Architecture Interiors Planning

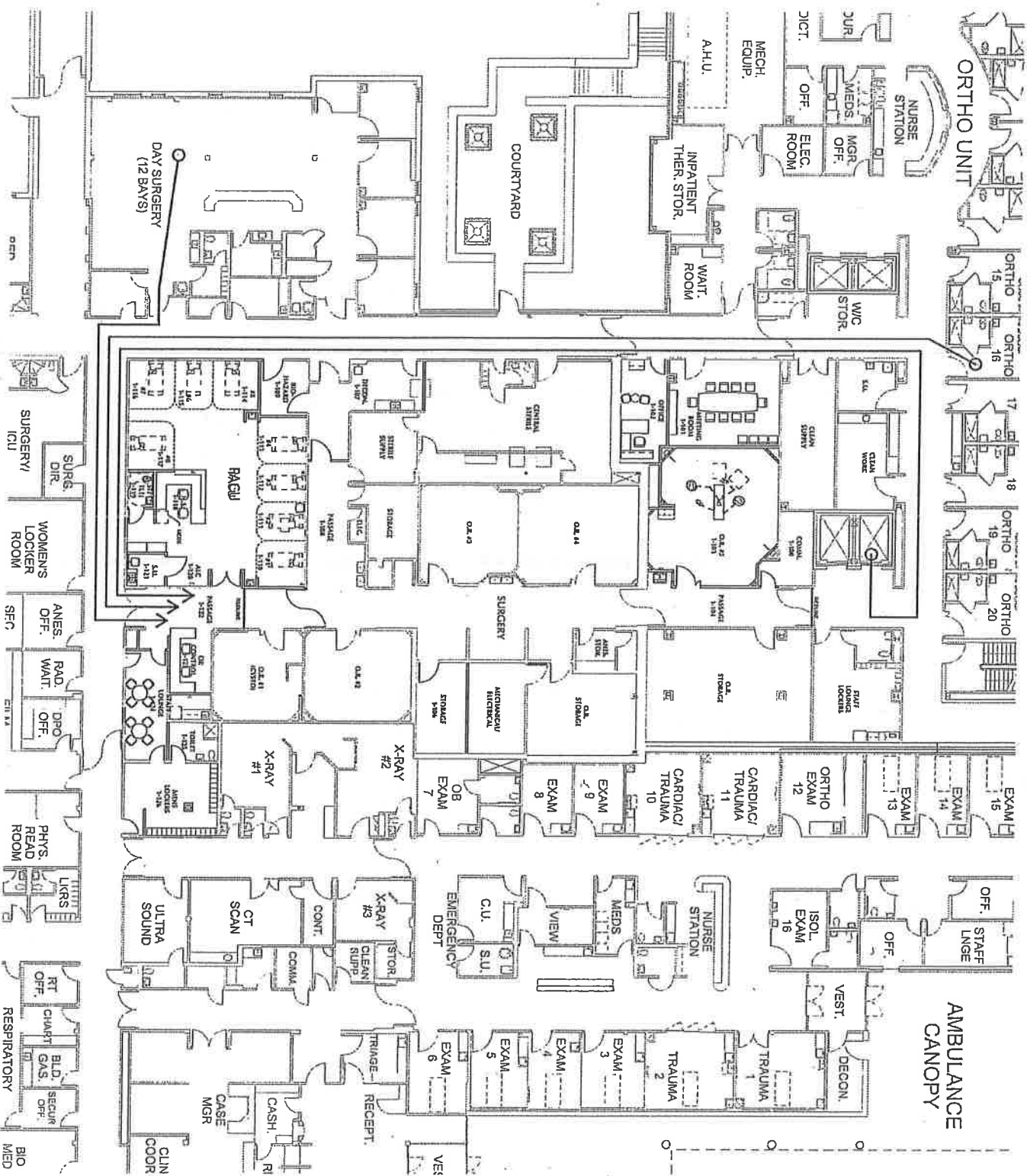
Ground Floor Plan - Outpatient Building



ORTHO UNIT

AMBULANCE CANOPY

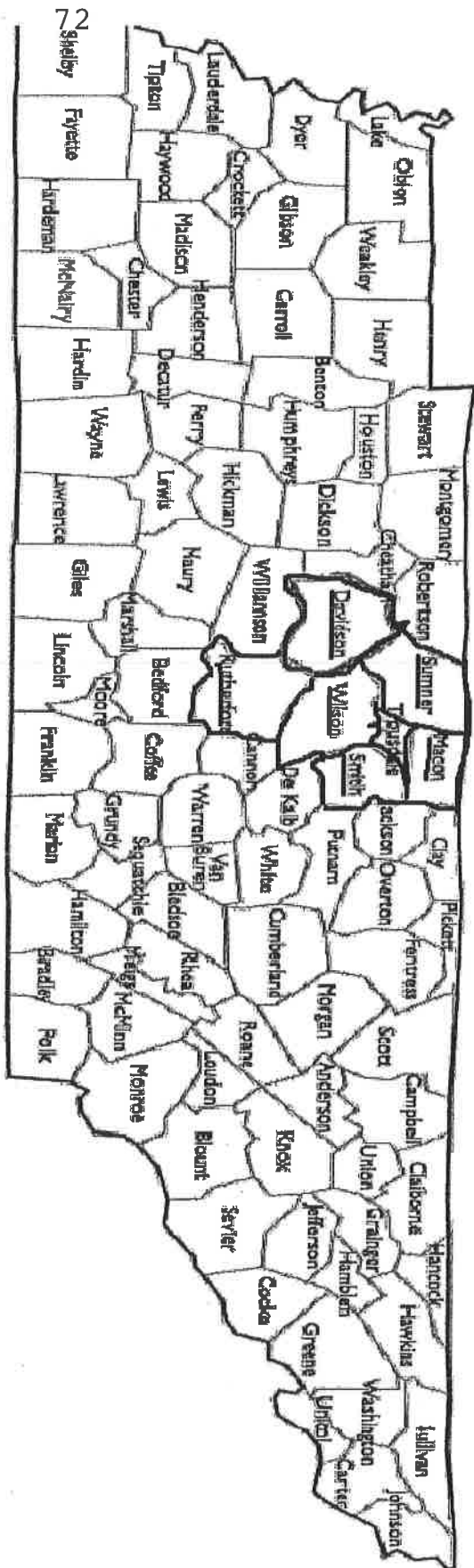




Patient Flow Diagram to Surgery Department

Attachment Need.3

Service Area Map



Attachment C. Economic Feasibility - 1

Letter Supporting Estimated Construction Costs



TMPartners, PLLC

Architecture Interiors Planning

5210 Maryland Way, Suite 200
Brentwood, Tennessee 37027-5065
615.377.9773
www.tmpartners.com

Date September 24, 2015

Project University Medical Center- Facility Consolidation, Endo & Surgery Renovations
Lebanon, Tennessee
TMP No. TBD

Subject Proposed Cost and Applicable Code Information

To whom it may concern:

I have reviewed the cost information for the referenced project. The probable construction cost is \$13,282,948. Having current experience with comparable projects, it is my professional opinion that these costs are reasonable and compare favorably with similar projects.

The project is being developed under the current codes and standards enforced by the State of Tennessee as follows:

2012 INTERNATIONAL BUILDING CODE (IBC)
2012 INTERNATIONAL MECHANICAL CODE
2012 INTERNATIONAL PLUMBING CODE
2012 INTERNATIONAL FUEL GAS CODE
2011 NATIONAL ELECTRICAL CODE
2012 INTERNATIONAL ENERGY CONSERVATION CODE
2012 NFPA 101 LIFE SAFETY CODE
2002 NORTH CAROLINA ACCESSIBILITY CODE WITH 2004 AMENDMENTS
2010 ADA STANDARDS FOR ACCESSIBLE DESIGN
2010 FGI- GUIDELINES FOR DESIGN AND CONSTRUCTION OF HEALTH CARE FACILITIES
2008 ASHRAE HANDBOOK OF FUNDAMENTALS

Additionally, the project will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements and the renovated areas will provide suitable physical environments, according to applicable federal, state and local construction codes, standards, specifications, and requirements.

Please let me know if any additional information is required

Sincerely,

Reid E. Zwickel, AIA ACHA
Principal-In-Charge
TN License Number 103614

Copy: A06914 gf

p:\2014\A06914\owner\certificate of need\2015-09-24 umc- con cost ltr.docx

Attachment C. Economic Feasibility - 2

Documentation from CFO



October 8, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Funding Support for Certificate of Need Application for Lebanon
HMA, LLC (d/b/a University Medical Center and McFarland
Specialty Hospital)

Dear Ms. Hill:

CHS / Community Health Systems, Inc., the parent of Lebanon HMA, LLC (d/b/a McFarland Specialty Hospital and d/b/a University Medical Center), has internal funds available for the commitment to the following project, which has an approximate project cost of \$22,500,000. CHS / Community Health Systems, Inc. had cash flow from operating activities of \$1,615 million in its fiscal year ending 12/31/14, and currently maintains a \$1,000 million revolving credit facility with excess of \$856 million as of 9/30/15 available to fund future cash needs. CHS / Community Health Systems, Inc. is committed to this project and will advance funds as necessary to complete this project.

Should you need anything further, I can be reached at 615-465-7189.

Regards,

A handwritten signature in cursive script that reads "James W. Doucette".

James W. Doucette
Senior Vice President Finance and Treasurer

COMMUNITY
HEALTH
SYSTEMS

4000 Meridian Boulevard

Franklin, TN 37067

Tel: (615) 465-7000

P.O. Box 689020

Franklin, TN 37068-9020

Attachment C. Economic Feasibility – 4 Historical and Projected Data Charts

October 23, 2015**3:44 pm****HISTORICAL DATA CHART**

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in January.

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Specify unit of measure)	<u>36,287 PD</u>	<u>33,592 PD</u>	<u>32,314 PD</u>
B. Revenue from Services to Patients			
1. Inpatient Services	\$ <u>274,589,092</u>	\$ <u>265,405,751</u>	\$ <u>266,946,392</u>
2. Outpatient Services	<u>259,322,788</u>	<u>282,220,226</u>	<u>312,445,244</u>
3. Emergency Services	<u>100,840,356</u>	<u>102,571,952</u>	<u>108,021,087</u>
4. Other Operating Revenue (Specify) <u>EAH, rent, misc.</u>	<u>1,752,932</u>	<u>152,2521</u>	<u>3,168,476</u>
Gross Operating Revenue	\$ <u>636,505,168</u>	\$ <u>651,720,450</u>	\$ <u>690,581,199</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ <u>522,729,660</u>	\$ <u>542,789,215</u>	\$ <u>583,229,988</u>
2. Provision for Charity Care	<u>-12,747</u>	<u>-21,822</u>	<u>197,735</u>
3. Provisions for Bad Debt	<u>16,218,806</u>	<u>16,988,401</u>	<u>16,234,686</u>
Total Deductions	\$ <u>538,935,719</u>	\$ <u>559,755,794</u>	\$ <u>599,662,409</u>
NET OPERATING REVENUE	\$ <u>97,569,449</u>	\$ <u>91,964,656</u>	\$ <u>90,918,790</u>
D. Operating Expenses			
1. Salaries and Wages	\$ <u>29,862,779</u>	\$ <u>28,329,612</u>	\$ <u>27,779,587</u>
2. Physician's Salaries and Wages			
3. Supplies	<u>13,409,863</u>	<u>12,233,682</u>	<u>13,470,899</u>
4. Taxes	<u>950,361</u>	<u>625,932</u>	<u>791,160</u>
5. Depreciation	<u>5,426,665</u>	<u>5,708,607</u>	<u>5,468,476</u>
6. Rent	<u>1,682,873</u>	<u>1,207,726</u>	<u>1,071,970</u>
7. Interest, other than Capital	<u>60,872</u>	<u>55,490</u>	<u>64,438</u>
8. Management Fees:			
a. Fees to Affiliates	<u>4,575,491</u>	<u>4,212,994</u>	<u>5,112,020</u>
b. Fees to Non-Affiliates	<u>198,300</u>	<u>177,034</u>	<u>64,438</u>
9. Other Expenses (Specify) <u>Benes, CVS, Med fees, etc</u>	<u>30,742,633</u>	<u>30,091,130</u>	<u>32,638,683</u>
Total Operating Expenses	\$ <u>86,909,837</u>	\$ <u>82,642,207</u>	\$ <u>86,461,671</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)	\$ <u>10,659,612</u>	\$ <u>9,322,449</u>	\$ <u>4,457,119</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	\$ _____	\$ _____	\$ _____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ <u>10,659,612</u>	\$ <u>9,322,449</u>	\$ <u>4,457,119</u>

October 23, 2015**3:44 pm****PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January.

		Year 2017	Year 2018
A. Utilization Data (Specify unit of measure)		<u>38,049</u>	<u>38,486</u>
B. Revenue from Services to Patients			
1. Inpatient Services	\$	<u>314,319,360</u>	\$ <u>317,936,919</u>
2. Outpatient Services		<u>300,107,463</u>	<u>303,206,509</u>
3. Emergency Services		<u>161,596,326</u>	<u>163,265,043</u>
4. Other Operating Revenue: <u>Rent</u>		<u>537,145</u>	<u>545,202</u>
Gross Operating Revenue	\$	<u>776,560,294</u>	\$ <u>784,953,673</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	<u>655,402,475</u>	\$ <u>662,469,065</u>
2. Provision for Charity Care			
3. Provisions for Bad Debt		<u>17,447,052</u>	<u>17,628,649</u>
Total Deductions	\$	<u>672,849,527</u>	\$ <u>68,009,7714</u>
NET OPERATING REVENUE	\$	<u>103,710,767</u>	\$ <u>104,855,959</u>
D. Operating Expenses			
1. Salaries and Wages	\$	<u>33,423,336</u>	\$ <u>33,763,108</u>
2. Physician's Salaries and Wages			
3. Supplies		<u>14,489,651</u>	<u>14,585,643</u>
4. Taxes		<u>850,000</u>	<u>850,000</u>
5. Depreciation		<u>6,519,523</u>	<u>6,519,523</u>
6. Rent		<u>1,763,778</u>	<u>1,774,361</u>
7. Interest, other than Capital		<u>75,000</u>	<u>80,000</u>
8. Management Fees:			
a. Fees to Affiliates		<u>2,074,215</u>	<u>2,097,119</u>
b. Fees to Non-Affiliates			
9. Other Expenses: <u>Benes, o/s service, pro fees, etc.</u>		<u>30,666,010</u>	<u>30,842,861</u>
Total Operating Expenses	\$	<u>89,861,513</u>	\$ <u>90,512,615</u>
E. Other Revenue (Expenses) -- Net (Specify)			
NET OPERATING INCOME (LOSS)	\$	<u>13,849,254</u>	\$ <u>14,343,344</u>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	\$		\$
NET OPERATING INCOME (LOSS)	\$	<u>13,849,254</u>	\$ <u>14,343,344</u>
LESS CAPITAL EXPENDITURES			

Attachment C. Economic Feasibility - 10

Balance Sheet and Income Statement

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2014	2013	2012
	(In millions, except share and per share data)		
Operating revenues (net of contractual allowances and discounts)	\$ 21,561	\$ 14,853	\$ 14,747
Provision for bad debts	2,922	2,034	1,914
<i>Net operating revenues</i>	<u>18,639</u>	<u>12,819</u>	<u>12,833</u>
<i>Operating costs and expenses:</i>			
Salaries and benefits	8,618	6,107	5,992
Supplies	2,862	1,975	1,953
Other operating expenses	4,322	2,818	2,807
Government settlement and related costs	101	102	—
Electronic health records incentive reimbursement	(259)	(162)	(123)
Rent	434	279	264
Depreciation and amortization	1,106	771	714
Amortization of software to be abandoned	75	—	—
<i>Total operating costs and expenses</i>	<u>17,259</u>	<u>11,890</u>	<u>11,607</u>
<i>Income from operations</i>	<u>1,380</u>	<u>929</u>	<u>1,226</u>
Interest expense, net of interest income of \$5, \$3 and \$3 in 2014, 2013 and 2012, respectively	972	613	621
Loss from early extinguishment of debt	73	1	115
Equity in earnings of unconsolidated affiliates	(48)	(43)	(42)
Impairment of long-lived assets	41	12	10
Income from continuing operations before income taxes	342	346	522
Provision for income taxes	82	104	164
Income from continuing operations	<u>260</u>	<u>242</u>	<u>358</u>
Discontinued operations, net of taxes:			
Loss from operations of entities sold or held for sale	(7)	(21)	(12)
Impairment of hospitals sold or held for sale	(50)	(4)	—
Loss from discontinued operations, net of taxes	<u>(57)</u>	<u>(25)</u>	<u>(12)</u>
<i>Net income</i>	<u>203</u>	<u>217</u>	<u>346</u>
Less: Net income attributable to noncontrolling interests	111	76	80
Net income attributable to Community Health Systems, Inc. stockholders	<u>\$ 92</u>	<u>\$ 141</u>	<u>\$ 266</u>
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.33	\$ 1.80	\$ 3.11
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.52</u>	<u>\$ 2.98</u>
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.32	\$ 1.77	\$ 3.09
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.51</u>	<u>\$ 2.96</u>
<i>Weighted-average number of shares outstanding:</i>			
Basic	<u>111,579,088</u>	<u>92,633,332</u>	<u>89,242,949</u>
Diluted	<u>112,549,320</u>	<u>93,815,013</u>	<u>89,806,937</u>

(1) Total per share amounts may not add due to rounding.

See notes to the consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
		(In millions)	
Net income	\$ 203	\$ 217	\$ 346
Other comprehensive income (loss), net of income taxes:			
Net change in fair value of interest rate swaps, net of tax of \$7, \$34 and \$26 for the years ended December 31, 2014, 2013 and 2012, respectively	13	60	46
Net change in fair value of available-for-sale securities, net of tax	—	2	3
Amortization and recognition of unrecognized pension cost components, net of tax (benefit) of \$(9), \$9 and \$(3) for the years ended December 31, 2014, 2013 and 2012, respectively	(9)	16	(10)
Other comprehensive income	4	78	39
Comprehensive income	207	295	385
Less: Comprehensive income attributable to noncontrolling interests	111	76	80
Comprehensive income attributable to Community Health Systems, Inc. stockholders	\$ 96	\$ 219	\$ 305

See notes to the consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(In millions, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 509	\$ 373
Patient accounts receivable, net of allowance for doubtful accounts of \$3,504 and \$2,438 at December 31, 2014 and 2013, respectively	3,409	2,323
Supplies	557	371
Prepaid income taxes	30	107
Deferred income taxes	341	101
Prepaid expenses and taxes	192	127
Other current assets (including assets of hospitals held for sale of \$38 and \$40 at December 31, 2014 and 2013, respectively)	528	345
Total current assets	5,566	3,747
Property and equipment:		
Land and improvements	946	623
Buildings and improvements	8,791	6,225
Equipment and fixtures	4,527	3,614
Property and equipment, gross	14,264	10,462
Less accumulated depreciation and amortization	(4,095)	(3,411)
Property and equipment, net	10,169	7,051
Goodwill	8,951	4,424
Other assets, net of accumulated amortization of \$827 and \$535 at December 31, 2014 and 2013, respectively (including assets of hospitals held for sale of \$90 and \$94 at December 31, 2014 and 2013, respectively)	2,735	1,895
Total assets	\$27,421	\$ 17,117
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 235	\$ 167
Accounts payable	1,293	949
Deferred income taxes	23	3
Accrued liabilities:		
Employee compensation	955	690
Interest	227	112
Other (including liabilities of hospitals held for sale of \$10 and \$24 at December 31, 2014 and 2013, respectively)	856	537
Total current liabilities	3,589	2,458
Long-term debt	16,681	9,286
Deferred income taxes	845	906
Other long-term liabilities	1,692	977
Total liabilities	22,807	13,627
Redeemable noncontrolling interests in equity of consolidated subsidiaries	531	358
Commitments and contingencies (Note 16)		
EQUITY		
Community Health Systems, Inc. stockholders' equity:		
Preferred stock, \$.01 par value per share, 100,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value per share, 300,000,000 shares authorized; 117,701,087 shares issued and 116,725,538 shares outstanding at December 31, 2014, and 95,987,032 shares issued and 95,011,483 shares outstanding at December 31, 2013	1	1
Additional paid-in capital	2,095	1,256
Treasury stock, at cost, 975,549 shares at December 31, 2014 and 2013	(7)	(7)
Accumulated other comprehensive loss	(63)	(67)
Retained earnings	1,977	1,885
Total Community Health Systems, Inc. stockholders' equity	4,003	3,068
Noncontrolling interests in equity of consolidated subsidiaries	80	64
Total equity	4,083	3,132
Total liabilities and equity	\$27,421	\$ 17,117

See notes to the consolidated financial statements.

Contribution to the Orderly Development of Healthcare – 7 (C)

Licensure and Accreditation



The Joint Commission

June 4, 2014

Re: # 5219
CCN: #440193
Program: Hospital
Accreditation Expiration Date: March 29, 2017

Matt Caldwell
CEO
University Medical Center
1411 Baddour Parkway
Lebanon, Tennessee 37087

Dear Mr. Caldwell:

This letter confirms that your March 25, 2014 - March 28, 2014 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on May 12, 2014 and May 27, 2014, The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of March 29, 2014.

The Joint Commission is also recommending your organization for continued Medicare certification effective March 29, 2014. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

McFarland Campus
d/b/a University Medical Center
500 Park Avenue, Lebanon, TN, 37087

Surgery Center at UMC
d/b/a University Medical Center
1401 Baddour Pkway, Lebanon, TN, 37087

UMC Medical Plaza- Sleep Center
1616 West Main, Lebanon, TN, 37087

University Medical Center
1411 Baddour Parkway, Lebanon, TN, 37087

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice



We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 4 /Survey and Certification Staff

Affidavit

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WilsonNAME OF FACILITY: McFarland Hospital / University Medical Center

I, Matt Caldwell, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

M Caldwell CO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 9th day of October, 2015,
witness my hand at office in the County of Wilson, State of Tennessee.

Joy Patty Henley
NOTARY PUBLIC

My commission expires My Commission Expires:
May 31, 2016

HF-0043

Revised 7/02



Supplemental #1 -COPY-

University Medical Center

CN1510-042



October 23, 2015

3:44 pm

October 23, 2015

Michael D. Brent
Attorney
Bradley, Arant, Boult, Cummings, LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application CN1510-042
University Medical Center

Dear Mr. Brent:

This will acknowledge our October 9, 2016 receipt of your application for a Certificate of Need to consolidate all of its beds pursuant to its 245-bed hospital license to the main campus including the relocation of three units: 16 bed behavioral health unit, 16 bed mood disorder unit, 10 bed inpatient rehabilitation unit, and renovation of other areas of the main campus buildings including surgery and endoscopy.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 PM, Friday, October 23, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 1

The Letter of Intent identified the applicant as Lebanon HMA, LLC d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital and d/b/a University Medical Center. The application identifies the applicant as University Medical Center (d/b/a McFarland Hospital and McFarland Specialty Hospital).

Please address this discrepancy

Since it appears that all renovation and bed movement is taking place at the 1411 Baddour Parkway, only that address need to be listed as the address for the project.

Please submit a corrected page.

Response:

The Letter of Intent identified the applicant as Lebanon HMA, LLC d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital and d/b/a University Medical Center. The application provides further clarification as it identifies the "facility, agency or institution" name in section 1 on page 9 as "University

Medical Center (d/b/a McFarland Hospital and McFarland Specialty Hospital) and the name of the Owner in section 3 on page 9 as Lebanon HMA, LLC. Lebanon HMA, LLC has multiple assumed names or "d/b/a's" registered with the Tennessee Secretary of State, including "University Medical Center" and "McFarland Specialty Hospital." Additionally, at the time of the filing of the notice and the application, we included an additional d/b/a of "McFarland Hospital" as the Tennessee Department of Health ("TDOH") had the d/b/a for the 500 Park Avenue satellite location erroneously listed as "McFarland Hospital" rather than "McFarland Specialty Hospital." Subsequent to the filing of the notice and the application, we contacted TDOH about the error in their listings, which has now been corrected, so that the records of the TDOH now correctly reflect the name for the 500 Park Avenue satellite location as "McFarland Specialty Hospital."

Please see Supplemental Attachment - R-9, which makes the adjustments noted above. Please also see Supplemental Attachment - McFarland Specialty Hospital, which corrects the application to reference the appropriate d/b/a.

2. Section A, Applicant Profile, Item 9

Your response to this item is noted. Please provide a bed chart for the 1411 Baddour Parkway campus and one for the 500 Park Avenue campus.

The bed chart provided indicates that all 245 licensed beds are staffed. Does the applicant intend to staff all 245 beds?

Response: Please see Supplemental Attachment - Bed Complement Charts for bed charts for both campuses. The Applicant will not initially staff all 245 beds, but does not intend to relinquish any beds, so as to preserve its ability to meet the future needs of the community.

3. Section A, Applicant Profile, Item 13

Does the applicant contract with all TennCare MCOs available in the service area? Please identify those with which the applicant contracts and those, if any, with which the applicant does not contract.

Response: The Applicant contracts with all three TennCare MCOs available to it - Amerigroup, Bluecare/TennCare Select and UHC/Community Plan.

3. Section B, Project Description, Item I

Please complete the following chart: for the UMC campus

Hospital Floor	Current Unit Type	Number of Beds (Licensed /Staffed)	Proposed Unit Type	Number of Beds (Licensed /Staffed)	Proposed Unit Maximum Bed Capacity
Outpatient Center - 1	PCU	58/30	Behavioral Health/Mood Disorder	49*/32	32
			Inpatient Rehabilitation	26/10	20

Hospital Floor	Current Unit Type	Number of Beds (Licensed /Staffed)	Proposed Unit Type	Number of Beds (Licensed /Staffed)	Proposed Unit Maximum Bed Capacity
East Wing 1	Obstetrical	14/14	Obstetrical	14/14	14
Main Campus Corridor to West Building	ICU/CCU	12/12	ICU/CCU	12/12	12
North Patient Tower 3	Shelled	Not Applicable	PCU	58/30	60
North Patient Tower 1&2; East Wing 1	Medical/Surgical	86/60	Medical/Surgical	86/60	107
Total		170/116		245/158	245

* There are 49 total licensed psychiatric beds, so the Behavioral Health and Mood Disorder unit each draw 16 beds from the 49-bed licensed capacity.

The Letter of Intent indicates that three units will be relocating from McFarland to UMC: 16 behavioral health beds, 16 mood disorder beds, and 10 inpatient rehabilitation beds, which totals to 42 beds. In the application you have indicated that there are 49 psychiatric beds and 25 inpatient rehabilitation beds, a total of 75 beds that will be moving from McFarland to UMC. Please explain.

Response: The 42-bed figure refers to the number of initially staffed beds for the relocated units. The Applicant is not, however, proposing to relinquish any beds, so when taking into account all three units' licensed bed capacity, the total number of beds is 75, as reported in the most recent Joint Annual Report. Please note that there are 49 licensed psychiatric beds and 26 licensed rehabilitation beds, not 25 as noted above.

How many surgical suites, endoscopy suites, pre-op beds, and recovery beds are currently available at UMC? Will this mix change after project completion? Please provide more detail regarding the renovation that is taking place within the surgical/endoscopy department of the hospital.

Response: The Applicant currently has four operating rooms and will have five new, improved, modernized operating rooms following the renovation. The Applicant currently has two licensed endoscopy rooms and four pre-op/recovery rooms. Please note, due to size constraints, the Applicant currently only operates one of its two licensed rooms. Following the renovation, the Applicant will have two endoscopy rooms, four pre-op rooms, and four recovery beds.

What services will remain at the McFarland satellite campus and how will the vacated space be utilized?

Response: The McFarland campus will no longer be utilized for any licensed or certificated services, but the long-range plans for it have not yet been decided by the Applicant.

4. Section B, Project Description, Item II.A.

It has been indicated that the two psychiatric units will be staffed for 16 beds each for a total of 32, and the rehab unit will be staffed for 10 beds. According to the Bed Complement Data Chart in A.9., there are 49 licensed psychiatric beds and 26 licensed rehab beds. What is the bed capacity of each of the three units in which the psychiatric and inpatient rehab units are moving? Please document this bed capacity through illustration on a floor plan.

Response: As shown on the previously submitted floor plans with the original application, the bed capacity of each psychiatric unit will be 16 beds in semi-private rooms, for a total of 32 beds. The bed capacity of the rehabilitation unit will be 10 beds in private rooms or 20 beds if converted to semi private rooms. In the event that the Applicant needed to increase the complement of any of the units, the Applicant would have to decide if it wanted to dedicate the area currently shared by the three units to a sole unit and have the other units shifted to available space elsewhere in the hospital, construct the required space, or craft another bed configuration scheme suitable to the circumstances.

Where is the current endoscopy unit located and how will the space being vacated by the current endoscopy unit be utilized?

Response: The current endoscopy unit is located on the ground floor of the Outpatient Building and is immediately north of the proposed endoscopy unit. The space vacated by the current endoscopy unit will be converted into a meeting room.

Please complete the "Existing Location" column in the **SQUARE FOOTAGE AND COST PER SQUARE FOOT CHART**.

Response: Please see Supplemental Attachment - Replacement Square Footage and Cost Per Square Foot Chart.

5. Section B, Project Description, Item IV. (Floor Plan)

According to the floor plans provided there are 8 rooms available for the behavioral health unit, which is to be staffed for 16 beds, 8 rooms available for the 16-bed mood disorder unit, and 10 rooms available for the inpatient rehab unit.

Are both the behavioral health unit and mood disorder unit semi-private rooms, while the inpatient rehab unit is private rooms?

Response: Yes, the Behavioral Health unit and the Mood Disorder unit will be semi-private rooms, while the inpatient Rehabilitation unit will be private rooms, but configured in a fashion that would allow them to be converted to semi-private rooms if that should ever be needed.

The applicant has noted that 49 licensed psychiatric beds are being maintained and 26 inpatient rehab beds are being maintained; however, there does not appear to be room on this floor to expand any of these units to the licensed bed capacity, if needed. With that being the case, please explain the need to maintain the licensed bed complement versus reducing the licensed bed complement commensurate to the staffed bed complement size of the two psychiatric units and the rehab unit.

Response: As population trends keep changing and Wilson County and the remainder of the service area continues to grow, the Applicant does not propose to relinquish any of its licensed beds at this time. Though it does not currently use all of its licensed beds, with the aforementioned population trends, it is entirely possible that the Applicant will need to make use of all of its licensed beds in the future, and it would prefer to preserve its ability to do so. The Applicant has space for all 245 beds, the ability to ensure appropriate arrangements for necessary support services (such as oxygen for 2 beds in each room), if necessary, and can staff the beds relatively quickly via agency staffing or utilizing additional staff from affiliated hospitals.

In the narrative you have identified the PCU as a 58-bed unit; however the floor plan identified the PCU as a 30 bed unit. Please explain.

Response: The application indicates that the PCU, once moved, will be initially staffed as a 30-bed unit, but the total licensed capacity, as previously noted, is 58 beds. Page 15 of the narrative in the Applicant's original application states that the PCU will be staffed at 30 beds initially. This initial staffing pattern in the PCU's new location in the North Patient Tower is what is reflected in the proposed floor plan provided with the application. The beds in the proposed floor plan are private rooms, which gives the Applicant the ability to increase capacity to up to 58 licensed beds if demand requires, by converting some of those private to semi-private rooms. Please also see Supplemental Attachment - R-14, which clarifies the licensed bed capacity of the PCU and corrects the number of licensed rehabilitation beds.

5. Section C, Need, Item 4.A

Your response to this item is noted. Please provide for each county and the service area as a whole, where applicable, the following information which can be obtained from the US Census Bureau: Median Age, Median Household Income, Persons below Poverty Level. Persons below Poverty Level as a % of total population. Please also provide this information as well as the information provided in your demographic table for the State of Tennessee overall for comparative purposes.

Response: Please see Supplemental Attachment - Section C, Need, Item 4.A.

6. Section C, Need, Item 5

Your response to this item is noted. Please provide the following information for all the applicable hospitals in your proposed service area:

Hospital	Licensed Psych. Beds	2011 Licensed %Occupancy	2012 Licensed %Occupancy	2013 Licensed %Occupancy
Middle Tennessee Mental Health Institute	195	83.7%	85%	85.5%

Hospital	Licensed Psych. Beds	2011 Licensed %Occupancy	2012 Licensed %Occupancy	2013 Licensed %Occupancy
Saint Thomas West Hospital	23(2013) 15(2011-12)	90.9%	68.6%	60.7%
TriStar Centennial Medical Center	132	72.2%	62.2%	94.2%
TriStar Skyline Madison Campus	96 (2011) 91 (2012) 94 (2013)	65.4%	66.7%	75%
Vanderbilt University Hospitals	88	75.3%	87.8%	85.4%
TrustPoint Hospital*	50	N/A	N/A	54%
Riverview Regional Medical Center South	10*	N/A	70.0%	68.7%
Sumner Regional Medical Center	8*	N/A	26.7%	57.3%
McFarland Specialty Hospital (Applicant)	49	77.0%	47.5%	40.5%
TOTAL	460	77.4%	64.3%	69.0%

*Opened 2012.

Hospital	Licensed Rehab Beds*	2011 Licensed %Occupancy	2012 Licensed %Occupancy	2013 Licensed %Occupancy
Saint Thomas Midtown f/k/a Baptist Hospital	24	69.0%	78.3%	75.5%
TriStar Skyline Madison Campus	10	0%	0%	N/A
TriStar Skyline Medical Center	41	75.6%	71.4%	80.0%
TriStar Southern Hills Medical Center f/k/a Southern Hills Medical Center	16 12 (2011-2012)	40.3%	69.4%	63.9%

Hospital	Licensed Rehab Beds*	2011 Licensed %Occupancy	2012 Licensed %Occupancy	2013 Licensed %Occupancy
Vanderbilt Stallworth Rehabilitation Hospital	80	76.1%	78.5%	71.1%
TrustPoint Hospital**	27	N/A	N/A	44.6%
Sumner Regional Medical Center	17	48.6%	47.4%	47.5%
River Park Hospital	15	34.1%	33.0%	30.5%
McFarland Specialty Hospital	26	29.4%	26.3%	27.2%
TOTAL	246/256	53.3/46.6%	57.8/50.5%	55.0/48.9%

**Assigned Inpatient Rehabilitation Beds per page 13 of each hospital's JAR report.*

***Opened 2013*

N/A No JAR information available.

Hospital	Licensed Beds (2013)	2011 Licensed % Occupancy	2012 Licensed % Occupancy	2013 Licensed % Occupancy
Kindred Hospital	60	38.8%	42.9%	40.1%
Metropolitan Nashville General Hospital	150	41.0%	34.6%	31.5%
Middle Tennessee Mental Health Institution	300	54.4%	55.4%	55.5%
Saint Thomas Center for Spinal Surgery	23	17.9%	18.1%	17.7%
Saint Thomas Midtown f/k/a Baptist Hospital	683	51.2%	50.4%	49.3%
Saint Thomas West Hospital f/k/a Saint Thomas Hospital	541	51.9%	50.7%	50.6%
Select Specialty Hospital	70	92.5%	97.1%	75.6%

Hospital	Licensed Beds (2013)	2011 Licensed % Occupancy	2012 Licensed % Occupancy	2013 Licensed % Occupancy
TriStar Centennial Medical Center	657 (2012-2013) 606 (2011)	62.9%	61.7%	67.8%
TriStar Skyline Madison	172 (233 (2011), 182 (2012))	32.1%	40.2%	43.2%
TriStar Skyline Medical Center	213	66.5%	66.9%	71.8%
TriStar Southern Hills Medical Center f/k/a Southern Hills Medical Center	126 132 (2011-2012)	32.6%	37.0%	43.6%
TriStar Summit Medical Center f/k/a Summit Medical Center	188	58.1%	62.3%	66.5%
Vanderbilt Stallworth Rehabilitation Hospital	80	76.0%	78.5%	71.1%
Vanderbilt University Hospitals	1,019 916 (2011), 985 (2012)	84.6%	78.7%	82.5%
Macon County General Hospital	25	36.7%	41.4%	37.1%
Saint Thomas Rutherford Hospital f/k/a Middle Tennessee Medical Center	286	70.9%	67.6%	66.4%
TriStar StoneCrest Medical Center f/k/a StoneCrest Medical Center	109 101 (2011-2012)	38.2%	42.0%	46.3%
TrustPoint Hospital*	86	N/A	N/A	46.0%
Riverview Regional Medical Center North**	63 (2011-2012)	26.9%	15.9%	Not Available
Riverview Regional Medical Center South	25 (2011 and 2013) 35 (2012)	21.0%	55.8%	71.9%
Portland Medical Center	38	0.0%	0.0%	0.0%
Sumner Regional Medical Center	155	49.0%	52.0%	59.9%

Hospital	Licensed Beds (2013)	2011 Licensed % Occupancy	2012 Licensed % Occupancy	2013 Licensed % Occupancy
TriStar Hendersonville Medical Center f/k/a Hendersonville Medical Center	110 (2012-2013) 148 (2011)	34.7%	50.9%	54.6%
River Park Hospital	125	30.6%	23.7%	25.0%
McFarland Specialty Hospital	75	75.6%	39.5%	36.0%
University Medical Center	170	43.5%	41.1%	38.2%

*Opened 2013

**No JAR information available after 2012.

7. Section C, Need, Item 6

Your response to this item is noted. Please complete the following chart.

Response: Please note that the Applicant's internal records combine Adult and Geriatric Psychiatric beds together such that there is no way to differentiate between the two to determine the information required for the chart below.

Bed Type	Year 2011	Year 2012	Year 2013	Year 2017	Year 2018
University Medical Center/McFarland					
Medical/Surgical					
Licensed Beds	144	144	144	144	144
Staffed Beds	76	76	76	76	76
Admissions	4,096	3,840	3,510	4,036	4,338
ADC	57.7	53.4	48.5	56.4	56.7
ALOS	5.1	5.1	5.1	5.1	4.8
% Licensed Occupancy	40.0%%	37.1%	33.7%	39.2%	39.4%
% Staffed Occupancy	75.9%	70.3%	63.8%	74.2%	74.6%
Obstetrical					
Licensed Beds	14	14	14	14	14
Staffed Beds	14	14	14	14	14
Admissions	991	986	970	1,112	1,130
ADC	5.8	5.7	5.5	6.4	6.5
ALOS	2.1	2.1	2.1	2.1	2.1
% Licensed Occupancy	41.4%	40.7%	39.3%	45.7%	46.4%
% Staffed Occupancy	41.4%	40.7%	39.3%	45.7%	46.4%
ICU/CCU					
Licensed Beds	12	12	12	12	12
Staffed Beds	12	12	12	12	12
Admissions	532	542	488	592	592
ADC	6.5	6.6	7.1	8.6	8.6
ALOS	4.5	4.4	5.3	5.3	5.3

Bed Type	Year 2011	Year 2012	Year 2013	Year 2017	Year 2018
% Licensed Occupancy	54.2%	55%	59.2%	71.7%	71.7%
% Staffed Occupancy	54.2%	55%	59.2%	71.7%	71.7%
Adult Psychiatric					
Licensed Beds	49	49	49	49	49
Staffed Beds	32	32	32	32	32
Admissions	1,113	979	865	1,108	1,141
ADC	26.2	22.4	19.8	26	26.8
ALOS	8.6	8.4	8.4	8.6	8.6
% Licensed Occupancy	53.5%	45.7%	40.4%	53.1%	54.7%
% Staffed Occupancy	81.9%	70.0%	61.9%	81.3%	83.8%
Rehabilitation					
Licensed Beds	26	26	26	26	26
Staffed Beds	10	10	10	10	10
Admissions	206	195	199	191	197
ADC	7.6	6.8	7.1	6.8	6.8
ALOS	13.5	12.8	13.0	13.0	13.0
% Licensed Occupancy	29.2%	23.4%	27.3%	26.2%	26.2%
% Staffed Occupancy	76%	68%	71%	68%	68%
Total Hospital					
Licensed Beds	245	245	245	245	245
Staffed Beds	158	158	158	158	158
Admissions	6,938	6,542	6,032	7,039	7,398
ADC	103.8	94.9	88	104.2	105.4
ALOS	5.4	5.2	5.3	5.4	5.2
% Licensed Occupancy	42.4%	38.7%	35.9%	42.5%	43.0%
% Staffed Occupancy	65.7%	60.0%	55.7%	65.9%	66.7%

8. Section C. (Economic Feasibility) Item 1 (Project Cost Chart)

This chart indicates that construction costs are \$13,282,948. Based on the information in the SQUARE FOOTAGE AND COSTS PER SQUARE FOOT CHART, the construction cost calculates to \$12,900,718. Please address this discrepancy.

Response: Please see Supplemental Attachment - Replacement Square Footage and Cost per Square Footage Chart, which shows the corrected total cost per square foot of \$247.53. Please note that, due to rounding, the cost calculated using the total cost per square foot, \$13,283,104.98, is \$156.98 higher than the construction cost in the Project Cost Chart. Please also see Supplemental Attachment - R-40, which corrects the construction cost per square foot listed in the application.

There appears to be a typo in the CON Filing Fee line. Please make the necessary corrections and submit a revised Project Cost Chart.

Response: Please see Supplemental Attachment - Revised Project Cost Chart correcting the filing fee amount.

9. Section C. (Economic Feasibility) Item 3

The applicant has stated that the \$240.20/SF estimated construction cost is above the 3rd quartile. Shouldn't the statement read between the median and 3rd quartile?

Response: Please see Supplemental Attachment - R-40, which indicates that the estimated construction cost is between the Median and the 3rd Quartile.

10. Section C. (Economic Feasibility) Item 4 (Historical Data Chart)

Net operating income declined by almost 60% between 2012 and 2014. What were the reasons for this decline in net operating income?

Response: The Applicant experienced an admission decrease of approximately 13% during that time period. This decrease is attributable to a variety of factors, including maturing providers, market exits and insurance changes related to in-patient days versus observation days, all of which contributed to the decrease in admissions. Surgical cases decreased at the same time, for many of the same reasons, as well as difficulties sometimes encountered due to the aged and cramped surgical and endoscopy departments. The volume reductions also resulted in a negative impact on reimbursement rates. Additionally, changes by payors in the authorization and precertification processes, as well as their general contract management procedures, had a negative impact on admissions during this time period.

There appears to be a typo in the 2014 column for Contractual Adjustments. Please make the necessary corrections and submit a revised Historical Data Chart.

Response: Please see Supplemental Attachment - Revised Historical Data and Projected Data Charts.

Please also complete the following chart for Other Expenses:

HISTORICAL DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2012</u>	<u>Year 2013</u>	<u>Year 2014</u>
1. Benefits (Ins & FICA)	\$6,373,494	\$6,702,801	\$7,488,744
2. Medical Specialist Fees	1,046,003	1,626,445	2,544,680
3. Utilities	1,913,514	1,731,236	1,876,999
4. Purchased Services (ex: dietary, EVS, sec, etc.)	6,730,339	6,514,303	7,958,525
5. Repairs and Maintenance	2,145,184	2,452,685	2,654,789
6. Other (ex: Provider Tax and General ins)	7,890,826	6,641,970	7,816,016
7. All other (ex: adv, dues, edu, sales tax)	4,643,273	4,421,690	2,298,930
Total Other Expenses	\$30,742,633	\$30,091,130	\$32,638,683

11. Section C. (Economic Feasibility) Item 4 (Projected Data Chart)

Please explain why there are no provisions for charity Care.

Response: The Applicant's chart of accounts captures all uncompensated care for all patients and does not create a separate category for "charity care." However, UMC is committed to ensuring that its patients receive the care they need regardless of financial constraints, and utilizes a combination of its charity care policy, uninsured discount credit, flat rate pricing, payment plans and various payment discounts to financially accommodate the needs of its patients.

There appears to be a typo in the 2018 column for **NET OPERATING INCOMER (LOSS) LESS CAPITAL EXPENDITURES**. Please make the necessary corrections and submit a revised Projected Data Chart.

Response: Please see Supplemental Attachment - Revised Historical Data and Projected Data Charts.

Please also complete the following chart for Other Expenses:

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	Year 2017	Year 2018
1. Benefits (Ins & FICA)	\$7,340,259	\$7,414,350
2. Medical Specialist Fees	2,785,993	2,813,869
3. Utilities	1,749,163	1,750,639
4. Purchased Services (ex: dietary, EVS, sec, etc)	9,179,004	9,186,625
5. Repairs and Maintenance	2,207,823	2,296,988
6. Other (ex: Provider Tax and General ins)	7,231,530	7,212,412
7. All other (ex: adv, dues, edu, sales tax)	172,238	167,978
Total Other Expenses	\$30,666,010	\$30,842,861

12. Section C. (Economic Feasibility) Item 9

Your response to this item is noted. Please complete the following chart:

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1
Medicare	201,766,019	26%
TennCare	147,444,398	19%
Managed care*	131,923,935	17%
Commercial	232,806,945	30%
Self-Pay	46,561,389	6%

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1
Other	15,520,463	2%
Total	776,023,149	100%

**Refers to the Applicant's managed Medicare*

13. Section C. (Contribution to the Orderly Development) Item 3 (Staffing)

Please add to the chart clinical staffing for surgery and endoscopy.

Response: Please see Supplemental Attachment - R-45 adding surgery and endoscopy FTE's to the staffing chart.

14. Publisher's Affidavit

The publishers affidavit submitted indicates it was for a notice of intent published on September 10, 2015. Please submit documentation that the notice of intent for the proposed project was published between October 1, 2015 and October 10, 2015.

Response: Please see Supplemental Attachment - Proof of Publication for a copy of the publisher's affidavit documenting that the notice of intent for the proposed project was published on October 8, 2015.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is December 15, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency.

October 23, 2015

3:44 pm

Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Mark A. Farber
Deputy Director

Enclosure

MAF

AFFIDAVIT

October 23, 2015**3:44 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Wilson

Matt Caldwell, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

M Caldwell CEO

Signature/Title

Sworn to and subscribed before me this the 23rd day of October, 2015, a Notary Public in and for the County of Wilson, State of Tennessee.

Joy Patty Henley

NOTARY PUBLIC

**My Commission Expires:
May 31, 2016**

My Commission expires _____



HF-0056

Revised 7/02 - All forms prior to this date are obsolete

October 23, 2015

3:44 pm

Supplemental Attachment - Section C, Need, Item 4.A.

October 23, 2015

3:44 pm

DEMOGRAPHICS OF THE SERVICE AREA

	Total Population 2015	Total Population 2019	%Change	18-64 Population 2015	18-64 Population 2019	18-64 Population %Change	65+ Population 2015	65+ Population 2019	65+ Population %Change	TennCare Enrollees*	TennCare Enrollees as % of Total
Davidson	671,403	706,549	5.2%	438,220	448,645	2.4%	75,199	85,344	13.5%	145,479	21.7%
Macon	23,259	24,023	3.3%	13,871	14,041	1.2%	3,869	4,483	15.9%	6,820	29.3%
Rutherford	307,088	347,767	12.5%	199,380	221,215	11.0%	29,902	38,077	27.3%	47,267	15.3%
Smith	20,051	20,685	3.2%	12,189	12,315	1.0%	3,282	3,842	17.1%	4,230	21.1%
Sumner	175,794	187,398	6.6%	107,075	112,464	5.0%	26,289	31,432	19.6%	28,791	16.4%
Warren	40,721	41,304	1.4%	23,874	23,735	-0.6%	7,159	7,986	11.6%	11,067	27.2%
Wilson	126,659	136,217	7.5%	77,627	82,102	5.8%	18,910	23,241	22.9%	18,206	14.4%
Service Area Total	1,364,975	1,463,943	7.3%	872,236	914,517	4.8%	164,610	194,405	18.1%	261,860	19.2%
Tennessee	6,735,706	7,035,572	4.5%	4,123,622	4,211,701	2.1%	1,051,862	1,219,696	17.3%	1,447,657	21.5%

	Median Age	Median Household Income	Persons below Poverty Level	Persons below Poverty Level % of Total Population
Davidson	33.9	\$47,335	124,210	18.5%
Macon	38.7	\$35,306	4,930	21.2%
Rutherford	32.2	\$55,401	39,921	13.0%
Smith	39.9	\$42,383	3,890	19.4%
Sumner	38.6	\$55,509	18,283	10.4%
Warren	39.3	\$34,641	8,755	21.5%
Wilson	39.3	\$60,390	12,919	10.2%
Service Area Total	37.4	\$47,280	212,908	16.3%
Tennessee	38	\$44,298	1,185,484	17.6%

October 23, 2015

3:44 pm

Supplemental Attachment - Bed Complement Charts

October 23, 2015**3:44 pm****9. Bed Complement Data 1411 Baddour Parkway Campus*****Please indicate current and proposed distribution and certification of facility beds.***

	Current Beds Licensed *CON		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	<u>127</u>	<u> </u>	<u>89</u>	<u>0</u>	<u>127**</u>
B. Surgical	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
C. Long-Term Care Hospital	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
D. Obstetrical	<u>14</u>	<u> </u>	<u>14</u>	<u>0</u>	<u>14</u>
E. ICU/CCU	<u>12</u>	<u> </u>	<u>12</u>	<u>0</u>	<u>12</u>
F. Neonatal	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
G. Pediatric	<u>17</u>	<u> </u>	<u>1</u>	<u>0</u>	<u>17</u>
H. Adult Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
I. Geriatric Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
J. Child/Adolescent Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
K. Rehabilitation	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
L. Nursing Facility (non-Medicaid Certified)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
M. Nursing Facility Level 1 (Medicaid only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
N. Nursing Facility Level 2 (Medicare only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
O. Nursing Facility Level 2	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
P. ICF/MR	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Q. Adult Chemical Dependency (Detox)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
R. Child and Adolescent Chemical Dependency	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
S. Swing Beds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
T. Mental Health Residential Treatment	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
U. Residential Hospice	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>170</u>	<u>0</u>	<u>116</u>	<u>0</u>	<u>170</u>

*CON-Beds approved but not yet in service

**Medical/Surgical Beds

October 23, 2015**3:44 pm****9. Bed Complement Data 500 Park Avenue Campus*****Please indicate current and proposed distribution and certification of facility beds.***

	Current Beds Licensed *CON		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	<u>34</u>	_____	<u>16</u>	<u>0</u>	<u>34</u>
I. Geriatric Psychiatric	<u>15</u>	_____	<u>16</u>	<u>0</u>	<u>15</u>
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	<u>26</u>	_____	<u>10</u>	<u>0</u>	<u>26</u>
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency (Detox)	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	<u>75</u>	<u>0</u>	<u>42</u>	<u>0</u>	<u>75</u>

*CON-Beds approved but not yet in service

October 23, 2015**3:44 pm**

**Supplemental Attachment - Replacement Square Footage
and Cost per Square Footage Chart**

Cost of Publication

\$ 1163.00

Proof of Publication

¹¹²
LEBANON DEMOCRAT
PUBLICATION CERTIFICATE

SUPPLEMENTAL #1

October 12, 2015

3:44 pm

This is to certify that the legal notice hereto attached was published in
The Lebanon Democrat, a daily newspaper published in the City of
Lebanon, County of Wilson, State of Tennessee on the following dates:

Signed: Meranie Ray

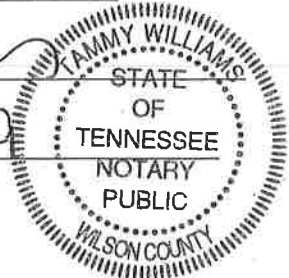
10-8-2015

Subscribed and sworn to before me

on this 9 day of Oct

Tammy Williams

My Commission expires: 2-11-19



**NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Lebanon HMA, LLC, a Tennessee limited liability company (d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital and d/b/a University Medical Center), intends to file an application for a Certificate of Need for the consolidation of all beds operated pursuant to its 245-bed hospital license to the main campus at 1411 Baddour Parkway, Lebanon, TN 37087, including the relocation of three units, a sixteen (16) bed behavioral health unit, a sixteen (16) bed mood disorder unit, and a ten (10) bed inpatient rehabilitation unit, to the main campus from their current satellite location at 500 Park Avenue, Lebanon, TN 37087 (both locations being in Wilson County, TN), and the renovation of other areas of the main campus buildings (including surgery and endoscopy). The estimated project cost is \$22,500,000.

The anticipated filing date of the application is on or before October 15, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babco.com.

Upon written request by interested parties, a local fact-finding hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #2 -COPY-

UNIVERSITY MEDICAL
CENTER

CN1510-042



State of Tennessee 114

Health Services and Development Agency

Andrew Jackson Building, 9th Floor

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

SUPPLEMENTAL #2

October 28, 2015

2:20 pm

October 27, 2015

Michael D. Brent

Attorney

Bradley, Arant, Boult, Cummings, LLP

1600 Division Street, Suite 700

Nashville, TN 37203

RE: Certificate of Need Application CN1510-042

University Medical Center

Dear Mr. Brent:

This will acknowledge our October 23, 2016 receipt of supplemental information to your application for a Certificate of Need to consolidate all of its beds pursuant to its 245-bed hospital license to the main campus including the relocation of three units: 16 bed behavioral health unit, 16 bed mood disorder unit, 10 bed inpatient rehabilitation unit, and renovation of other areas of the main campus buildings including surgery and endoscopy.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Thursday, October 29, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 9

Your response to this item is noted. The 1411 Baddour Parkway Chart should reflect the addition of psychiatric and rehabilitation beds so that the total beds at completion is 245. The 500 Park Avenue Campus Chart should reflect that all 75 beds will be leaving the facility so that the total beds at completion should be 0.

Please make the necessary changes and submit revised bed charts..

Response: Please see Supplemental Attachment - Revised Bed Complement Charts containing the revised bed charts and correcting the categorization of the psychiatric beds to 49 adult psychiatric beds.

2. Section C, Need, Item 5

The applicant has stated several times in the application that there are no plans to relinquish beds. According to the historical and projected inpatient volumes for University Medical Center (UMC), UMC had a licensed occupancy of 35.9% in 2013, or an average daily census of 88. This would mean on average 157 beds

are empty. By year 2018 the applicant is projecting approximately 20% increase in inpatient volumes even though inpatient volumes decreased approximately 15% between 2011 and 2013.

Please explain the following:

- Please discuss in detail the assumptions used to project a 20% increase in inpatient volumes
- Why it is not a superior alternative to delicense unused beds until such times as there is a trend of increased inpatient volumes and apply for a CON to add beds at that time.

Response: The historical inpatient volumes noted for UMC relate to time periods before the change of ownership of the hospital in 2014 (previously UMC was part of the system of hospitals owned and operated by Health Management Associates, Inc., which was acquired by and became an affiliate of Community Health Systems, Inc. ("CHS") in 2014). Since the acquisition, UMC's affiliation with CHS has produced many benefits for the hospital, which the Applicant believes will continue to create increased demand and census growth.

Attention to the needs of the community, ranging from addressing deferred maintenance items to an increase in physician recruitment, results in more local patients staying in Wilson County for their healthcare needs, instead of traveling outside the area. Specifically, two additional orthopedic surgeons have come on staff at UMC (one in 2015 and another arriving shortly, in 2016) as well as an additional GI specialist and two cardiologists, while conversations continue with other physicians interested in relocating to Lebanon. Such additions to the staff will increase the utilization of both the surgical and endoscopic areas, as well as the census of patients undergoing surgery and other procedures, and recovering from those procedures.

Additionally, UMC has increased its "stroke team," with added expertise and technology, including telemedicine systems which allow patients who present with stroke systems at the UMC emergency department to remain at UMC for any needed care, rather than being transferred to another facility.

Since 2014 UMC, has also established a Physician Outreach Program, which expands the regional market reach of the hospital in several ways, including the identification of new regional referral sources, which creates referral opportunities, and increased census, through those new relationships.

The items noted above, as well as more "observation patients" being admitted after observation, and the benefits of the enhancements and upgrades sought in this application, lead the Applicant to believe its assumptions, including the projected increase in inpatient volumes, are very reasonable. The alternative of delicensing beds at this time, and having to return to the Agency and re-apply for a CON to add those beds back to the facility, was not viewed by the Applicant as a viable alternative at this time.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application

October 28, 2015

2:20 pm

shall be deemed void." For this application the sixtieth (60th) day after written notification is December 15, 2015. If this application is not deemed complete by this date, the application will be deemed void. Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Mark A. Farber
Deputy Director

Enclosure

MAF

October 28, 2015

2:20 pm

Supplemental Attachment - Revised Bed Complement Charts

October 28, 2015**2:20 pm****9. Bed Complement Data 1411 Baddour Parkway Campus*****Please indicate current and proposed distribution and certification of facility beds.***

	Current Beds Licensed *CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	<u>127</u>	<u>89</u>	<u>0</u>	<u>127**</u>
B. Surgical	<u> </u>	<u> </u>	<u> </u>	<u> </u>
C. Long-Term Care Hospital	<u> </u>	<u> </u>	<u> </u>	<u> </u>
D. Obstetrical	<u>14</u>	<u>14</u>	<u>0</u>	<u>14</u>
E. ICU/CCU	<u>12</u>	<u>12</u>	<u>0</u>	<u>12</u>
F. Neonatal	<u> </u>	<u> </u>	<u> </u>	<u> </u>
G. Pediatric	<u>17</u>	<u>1</u>	<u>0</u>	<u>17</u>
H. Adult Psychiatric	<u> </u>	<u> </u>	<u>49</u>	<u>49</u>
I. Geriatric Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>
J. Child/Adolescent Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>
K. Rehabilitation	<u> </u>	<u> </u>	<u>26</u>	<u>26</u>
L. Nursing Facility (non-Medicaid Certified)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
M. Nursing Facility Level 1 (Medicaid only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
N. Nursing Facility Level 2 (Medicare only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
O. Nursing Facility Level 2	<u> </u>	<u> </u>	<u> </u>	<u> </u>
P. ICF/MR	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Q. Adult Chemical Dependency (Detox)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
R. Child and Adolescent Chemical Dependency	<u> </u>	<u> </u>	<u> </u>	<u> </u>
S. Swing Beds	<u> </u>	<u> </u>	<u> </u>	<u> </u>
T. Mental Health Residential Treatment	<u> </u>	<u> </u>	<u> </u>	<u> </u>
U. Residential Hospice	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>170</u> <u>0</u>	<u>116</u>	<u>75</u>	<u>245</u>

*CON-Beds approved but not yet in service

**Medical/Surgical Beds

October 28, 2015**2:20 pm****9. Bed Complement Data 500 Park Avenue Campus*****Please indicate current and proposed distribution and certification of facility beds.***

	Current Beds Licensed *CON		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	<u>49</u>	_____	<u>32</u>	<u>-49</u>	<u>0</u>
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	<u>26</u>	_____	<u>10</u>	<u>-26</u>	<u>0</u>
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency (Detox)	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	<u>75</u>	_____	<u>42</u>	<u>-75</u>	<u>0</u>

*CON-Beds approved but not yet in service

October 28, 2015**2:20 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF WilsonNAME OF FACILITY: McFarland Specialty Hospital/University Medical Center

I, Matt Caldwell, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

M Caldwell CEO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of October, 2015,
witness my hand at office in the County of Wilson, State of Tennessee.

Joy Patty Henley
NOTARY PUBLIC

My commission expires May 31, 2016

HF-0043

Revised 7/02





**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

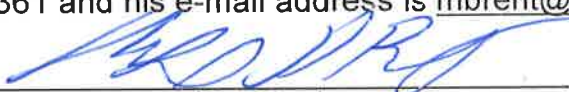
Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Lebanon Democrat, which is a newspaper of general circulation in Wilson County, Tennessee, on or before September 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Lebanon HMA, LLC, a Tennessee limited liability company (d/b/a McFarland Specialty Hospital, d/b/a McFarland Hospital and d/b/a University Medical Center), intends to file an application for a Certificate of Need for the consolidation of all beds operated pursuant to its 245-bed hospital license to the main campus at 1411 Baddour Parkway, Lebanon, TN 37087, including the relocation of three units, a sixteen (16) bed behavioral health unit, a sixteen (16) bed mood disorder unit, and a ten (10) bed inpatient rehabilitation unit, to the main campus from their current satellite location at 500 Park Avenue, Lebanon, TN 37087 (both locations being in Wilson County, TN), and the renovation of other areas of the main campus buildings (including surgery and endoscopy). The estimated project cost is \$22,500,000.

The anticipated filing date of the application is on or before October 15, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)

Oct. 8, 2015
(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: December 31, 2015

APPLICANT: Lebanon HMA, LLC d/b/a McFarland Specialty Hospital
500 Park Avenue
Lebanon, Tennessee 37355

CN1509-042

CONTACT PERSON: Michael D. Brent, Esquire
1600 Division Street, Suite 700
Nashville, Tennessee 37201

COST: \$22,500,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

Lebanon HMA, LLC, d/b/a as McFarland Specialty Hospital, d/b/a University Medical Center, seeks Certificate of Need (CON) approval for the consolidation of all beds pursuant to its 245-bed hospital license to the main campus at 1411 Baddour Parkway, Lebanon, Tennessee 37087, including the relocation of three units: a 16-bed behavioral health unit, a 16-bed mood disorder unit, and a 10-bed inpatient rehabilitation unit, to its main campus from their current satellite location at 500 Park Avenue, Lebanon, Tennessee 37087, and the renovation of other areas of the main campus buildings including surgery and endoscopy.

The project involves the renovation of 53,006 square feet and the construction of 700 new square feet at a cost of \$247.52 and \$232.90 per square, respectively.

Ownership of Lebanon HMA, LLC d/b/a McFarland Specialty hospital d/b/a University Medical Center consisted Knoxville HM Holdings with 98.31% and CHS Tennessee Holdings, LLC with 1.69%.

The total project cost is estimated to be \$22,500.000 and will be funded through internal funds as specified in a letter from the Senior Vice President and Treasurer in Attachment C. Economic Feasibility-2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area includes Davidson, Macon, Rutherford, Smith, Warren, and Wilson counties. The following chart provides the 2016 and 2020 population projections for the applicants service area.

Service Area Total Population 2016 and 2020

County	2016 Population	2020 Population	% of Increase/ (Decrease)
Davidson	680,427	714,756	5.0%
Macon	23,453	24,202	3.2%
Rutherford	318,638	357,615	12.2%
Smith	20,207	20,833	3.1%
Sumner	178,730	190,261	6.5%
Warren	40,872	41,446	1.4%%
Wilson	129,094	138,561	7.3%
Total	1,391,421	1,487,674	6.9%

Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics, 2020,
Tennessee Population Projections 2000-2020, Revision June 2013, Revision

This project consists of renovations to the main hospital buildings surgical department, renovation of space formerly uses as an outpatient surgery department into an endoscopy department, and the consolidation of the applicant's two campuses, University Medical Center and McFarland Specialty Hospital.

The first floor of the Outpatient Surgery Center houses a Progressive Care Unit (PCU) licensed for 58 beds that will be relocated to the third floor of the North patient tower on the Main Campus. That floor is currently shell space so it will be built out to accommodate the PCU. The North patient tower currently houses medical and surgical beds, outpatient physical therapy, and a cardiac rehabilitation and catheterization labs on its floors.

The PCU's former location will contain the rehabilitation and behavioral health beds. There will be a two story elevator tower to service the top floor of the outpatient center.

The endoscopy department will be relocated into a larger space in the outpatient center. The surgery department will be renovated and modernized. When completed, the facility will have 5 operating rooms in the surgery department, 4 patient recovery bays, and 2 endoscopy rooms with fluoroscopes and bronchoscopy capabilities in the endoscopy department, 58 (30 staffed) PCU beds, 49 (32 staffed) psychiatric beds, and 26 (10 staffed) rehabilitation beds. The hospital will continue to be licensed for 245 beds.

The proposed project will consist of the renovation of surgery, endoscopy, progressive care units as well as those units transferred from the satellite campus. The units formerly located on the satellite campus consist of 3 units: the applicant proposes to locate on the same floor: two initially staffed at 16 beds each and one initially staffed at 10-beds. Each unit will have one nursing station and the behavioral health units will also have activity and group therapy areas. An elevator will be installed from the ground floor to the first floor to more easily transport patients to the ground floor for imaging services and provide for the mobility issues of rehabilitation patients.

The applicant needs to consolidate the two campuses in order to serve the multiple patient populations, especially in Wilson County where they are the only hospital. With the consolidation, they will have the ability to conveniently provide psychiatric and rehabilitation services by increasing efficiency in the delivery of services and ensuring the ability to provide the services in times of high and low demand. This project will eliminate the staffing restraints caused by maintaining two facilities. This should allow the applicant to have the necessary resources available to meet the needs of all their patients.

The applicant states they periodically assess their department to ensure they meet all standards and continue to improve in respect to quality. The third floor renovations are required in order to move patients to the PCU unit, and the endoscopy and surgery renovations are needed to increase efficiency and use space previously underutilized to increase the efficiency and quality of those services.

TENNCARE/MEDICARE ACCESS:

The applicant participates in both the Medicare and TennCare programs.

The applicant projects year one Medicare revenues of \$201,766,019 or 26% of total gross revenues and TennCare revenues of \$147,444,398 or 19% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page R-30. The total project cost is \$22,500,000.

Historical Data Chart: The Historical Data Chart is located in Attachment C, Economic Feasibility 4. The applicant reported 36,287, 33,592, and 32,314 patient days in 2012, 2013, and 2014 with net operating revenues of \$10,659,612, \$9,322,449, and \$4,457,119 each year, respectively.

Projected Data Chart: The Projected Data Chart is located in Attachment C, Economic Feasibility 4. The applicant projects 38,049 and 38,486 patient days in years one and two with net operating revenues of \$13,849,254 and \$14,343,344 each year, respectively.

The applicant provided the average charges, deductions, net charge, and net operating income below.

	Year One	Year Two
Average Gross Charge	\$8,260.91	\$8,261.11
Average Deduction	\$7,156.62	\$7,155.88
Average Net Charge	\$1,104.29	\$1,104.23

The applicant compares their charges with Sumner Regional Hospital, TrustPoint Hospital, and Riverview Regional Medical Center South on page 42 of the application.

The alternative of doing extensive restorations to the building on the satellite campus was considered but it was determined that this project was more beneficial and could improve several other departments on the main campus, too.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant lists their affiliations in Section A. 13 of the application. In addition, University Medical Center has a transfer agreement with Vanderbilt University Hospital.

The applicant does not anticipate any material shifting of patients or patient days from other providers in its service area.

The applicant provides the current and proposed staffing for the projects of page R-45. The applicant does not anticipate the project will cause staffing changes.

University Medical Center has numerous relationships with educational institutions in the areas of medicine nursing, social work, etc. which they list on page 46 of the application.

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by The Joint Commission.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

This criterion is not applicable.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
 - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant states the above criteria are not applicable because beds are being shifted from the satellite campus to the main campus and is not a relocation of a healthcare institution.

3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant reports demand for psychiatric services remains steady as evidenced by the average daily census.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The building on the satellite campus requires extensive repairs/renovations and it is not financially feasible to do so when the main campus can accommodate the needed services. This project will benefit other units as well allowing the three being relocated.